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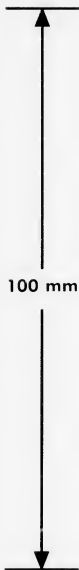
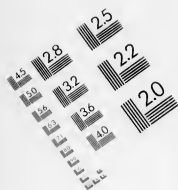
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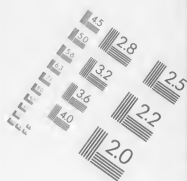
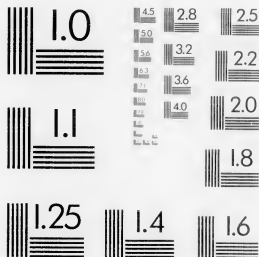
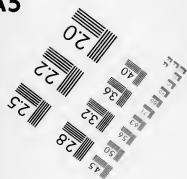
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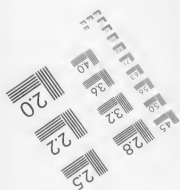


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CAPITAL, LABOUR, AND TRADE,  
AND  
THE OUTLOOK.

MARGARET BENSON.





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CAPITAL, LABOUR, AND TRADE,

AND

THE OUTLOOK.

PLAIN PAPERS

BY MARGARET BENSON.

PUBLISHED UNDER THE DIRECTION OF THE COMMITTEE  
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## CAPITAL, LABOUR, AND TRADE, AND THE OUTLOOK.

### I.

#### IT'S GOOD FOR TRADE.

"My dear," says Jack to his wife, who is untying the string on a parcel, "always *cut* string, never *untie* it—you shall have as much as you like—it's so good for trade."

Sally, the parlourmaid, drops the pile of china plates she is bringing into the parlour and breaks half of them. "Well, I'm sorry," she says, "but then it's so good for trade, for we shall have to buy six new ones."

"Ladies learning dressmaking!" Miss Smith exclaims, "I call that a downright shame; they should think how bad it is for trade! Why, they are taking the food out of the dress-makers' mouths."

Now what belief do these speeches which I have quoted imply?

Jack, and Sally the parlourmaid, are agreed—the destruction of things is good for trade; because if you destroy a thing you want you must replace it, and that *gives employment*.

"Idleness is good for trade," Miss Smith thinks; because if you provide what you want for your-

self, you won't want others to provide for you, thus you will not *give employment*.

It is plain, then, that if we are to understand whether these things are true or false we must understand what the expression "*giving employment*" really means, and then ask, "Do all these things really give employment? And if the money spent in them had not *given employment* in this way, would it have failed to give employment at all?"

"How then do we give employment?" Well, in one sense, I should be giving you employment if I sent you to the nearest town on a message for me, and gave you nothing for it at the end. That would keep you well employed for some time, but it is not quite what we mean when we speak of "*giving employment*" to those who cannot get work. There are plenty of things for them to *do*, so far as the mere doing goes; they might sweep the streets all day if they liked and nobody would interfere with them. What they want, very naturally, is to be paid for the work they do.

The important question then is not, "What do we want doing?" for men have never been without wants from the beginning of the world; but, "Where are we to get the means of paying for the work done?" It is not the *mere* employment that is lacking, every one can suggest a thousand things that want doing; but *profitable* employment, that is, things to be done which are worth paying for. Wages may be paid in four ways:—1. by appropriated monopolies, such as land, mines, patents; 2. by services; 3. by titles of honour, such as Peerages, K.C.B.'s, etc.; 4. out of capital. The first three we omit as, for our purposes, irre-

levant. What is capital then? Where does it come from? How does it employ labour? If we can answer these three questions, we shall know whether it is true or false that idleness, destruction, and waste are good for trade.

#### 1. What is capital?

The means of paying for labour comes—so far as we treat of it here—from one source only, and that source is capital. Capital then is any wealth saved to help labour to produce more wealth. In our ordinary conversation we talk of *money* as capital, but it is only because money gives us *command* over all kinds of things we want that it is any use to us at all. It is only because money will buy food, clothing, and so forth, that a workman is paid his wages in money; and it is only because money will buy houses for factories, machines, &c., and will pay wages, that an employer of labour reckons his capital in money; but without this purchasing power money would be no good to us, whereas food, machines, houses, &c., would always be of use to us, even if we could not exchange them for anything else. Everything then that forms the *real reward* for labour is capital; money is only the instrument by which the labourer obtains for himself the real reward. Besides this, the tools and instruments of labour, the materials for labourers to work on, houses and factories for them to work in, and warehouses and barns to store the produce of their labour, are all capital.

#### 2. How does capital employ labour?

This is easy to answer. If it provides all these things it employs labour by giving it something to work on, something to work with, pays it

by supporting, housing, clothing and feeding the labourers while they work. What is not so quickly seen, though it is simple enough, is how little labour could do without this capital which has been saved to employ it. We have read stories of people like Robinson Crusoe being cast on a desert island, and getting on much more comfortably than one would have expected. "Well," you may say, "all these shipwrecked sailors managed to produce enough to make a living at any rate, and yet they had no capital."

My good friend, did you ever hear of any one being cast on a desert island without food, without clothing, without any bits of the wreck, or any of the cargo being cast up with him, and getting on very comfortably? So far as my acquaintance with such shipwreck stories goes (though after all they are not very trustworthy), I am astonished at the amount of things the survivors manage to rescue. The shipwrecked man has always a cask or two of sea-biscuits, not much spoiled with the salt water, some bits of the wreck with iron nails in the wood, rope and string to catch fish and snare birds, cast up after him; and he always has clothes of some kind on his back, with a knife in his pocket to strike sparks from a flint, and make himself a fire. All these things are capital.

But the whole difficulty on such islands lies in the deficiency of capital, and, though you might not think it, it is infinitely easier to get on with very little capital on a desert island than in a civilized city. For on the desert islands nature offers innumerable opportunities to men of acquiring wealth, in the civilized city practically

none. In the first case it offers birds, fish, wild animals and vegetables, fruit, roots, and leaves, wood for shelter and for warmth; but you cannot grub up wild potatoes from London pavements, lasso a deer in Trafalgar Square, or find turtles' eggs in the dust of Pall Mall.

"That's all very well," some may say, "but facts are against you. Multitudes of pauper foreigners land every day in London, and yet manage to live somehow; and better too if one takes all things into consideration than the shipwrecked sailors."

But that is the very point of the matter. *How* do they live? Say they work at tailoring under sweaters. Well then, do they make the food, poor as it is, that they live on while they are working? Do they make the needles they use? the cloth they sew? the rooms they work in? the light they work by? Yet all these things are capital, and without them the pauper foreigner would not be able to get on for one day. Nay, even give him as much as the shipwrecked sailor—sea-biscuits, rope, knife and nails—he could only live, shelterless, on the sea-biscuits while they lasted, and then hang himself with the rope when they were done, unless he could borrow the capital of other people. But capital, his own or borrowed, he must have.

Now what follows? Simply this—that our desires may point out the *way* in which labour is to employ itself, but in any real sense employment is "given" by capital.

3. And now for our last question, Where does capital come from?

Capital is wealth already produced and put

aside for the production of more wealth. Capital is formed by abstinence out of existing wealth. It is not difficult to apply this to the statements we set out with. Let us take these statements point by point.

"Capital is set aside out of wealth produced," but if this is so the amount of capital depends in part on the total amount of wealth, and it follows clearly that to destroy wealth already existing will *decrease* our power of laying aside capital. And for the very same reason it is *work*, not *idleness*, which increases capital and power of giving employment, for the more wealth we produce, the more we can lay aside for further production. And again, if it is capital that supports and helps labour, the more capital we have (generally speaking) the more labour we shall be able to employ.

And so, to go back to our illustration, Jack and Sally are both wrong, for the destruction of things is not good for trade; and Miss Smith is quite wrong, for idleness is not good for trade.

Now it is quite possible that some one might say to this, "Your argument seems to me quite right, looking at it generally. But I cannot see that these three remarks are so wrong as you make them out to be. For looking at them apart from all this argumentation they still appear to me to be quite true. For instance, if Jack buys a great deal of string it is certainly good for the people who make string; if more plates are bought it is good for the sellers of crockery; if Miss Smith took to making her own dresses the dressmakers will be out of employment. And then, to consider still further effects (for this view is not a narrow one), the

prosperity of the string trade, the crockery trade and the dressmakers will stimulate trade through all its branches, for with the money that thus comes to them these different classes of people will buy all kinds of things they want, and then, in their turn, give employment, and no one will really feel the want of the money they spend on such little things."

This objection is very natural, but it is not a sound one.

Let us take Jack's case. Granted that Jack will not really feel the want of what he spends on string, just ask this little question, "What would he have done with it otherwise?" He must have spent it on something else (even if he saved it and put it in the bank, what is that but *lending it to the bank to use for him?*). Say then he spent it on toys for his children, or tobacco for himself. The tobacco trade or toy trade would profit every bit as much as the string trade otherwise, and would in their turn have spent their money on things they wanted in just the same way and have encouraged other trades to the same extent. It was pure folly on Jack's part to waste string for that reason.

So with the other cases. Destruction and idleness are no help.

But you may argue, "Neither was economy any help so far as the working people are concerned. It was after all only Jack who profited."

True in the case we supposed, but now take this supposition. We will take the case of Miss Smith this time, but our reasoning will apply to the other instances equally well. Miss Smith is evidently willing to help the working people, and thinks she

can do it best by idleness. Let us show her a better way. She shall make her own dresses, and when she has done so she will have saved the money she would otherwise have spent in having them made for her. She wished by that sum to benefit working people. What hindrance is there to her doing so still? Let her do this instead. Let her buy a mangle and set up some poor woman in the way of earning her livelihood by it. She will encourage trade through buying that mangle as much as she would have done by buying a dress of the same value, and over and above will confer a benefit on the poor woman, whereas her idleness did no good to any one, not even to herself.

There is a charming story told by Bastiat, a French economist, of a deputation sent from the candlemakers to the Government to petition them to order the closing up of all windows.

By such a means they pleaded the wealth of the country would be vastly increased, for natural light being excluded there would be more demand for artificial light, and the trades by which artificial light was produced would be encouraged. All engaged in those trades would be better off and able to spend more on other things—thus the whole country would be enriched. It is still this same mistake which leads us to this absurd conclusion.

So far then I have been trying to show how it is capital, and capital alone, which gives employment. By what use of capital we can give most employment is the subject we must next consider.

## II.

### GIVING EMPLOYMENT.

BUT I have not done quarrelling yet with this phrase "giving employment," which we discussed in the last paper.

And this is the fault I find with it now. When I buy a thing—say a thing to eat—which I afterwards consume, can I really be said to give employment to the people who make it?

I go into a confectioner's and buy a mince-pie—a very nice thing to do in its way. I give threepence to the shopman for it, and then I eat it.

*Now, did my threepence give employment to the man who made it?*

*Certainly not.*

We saw very clearly in the last paper that it is capital which gives employment. Now what capital gave employment to the man who made that particular pie? Who gave him materials, wages, fire to cook at, rooms to cook in? *Not I, but the shopman.*

*"But then you paid the shopman?"*

Quite true. I exchanged my threepence for the

pie ; but I exchanged it *when that pie was made*—mark that ! I exchanged it (bought the pie) when the employment was already given.

“ But then the shopman will give more employment with your threepence ? ”

True again, he may if he wishes to, and in all probability he will wish to. But he needn't *unless* he wishes ; he might play pitch and toss with it if he liked, though he would be remarkably foolish to do so : but the point is that it depends on him what is done with it. If he is thrifty he will *turn that wealth into capital* ; he will save it, that is, to produce more wealth.

The threepence, to put it another way, may be used to buy *fresh capital*—for *fresh* pies, flour, and butter, currants and raisins, and the rest of it ; in that case it *will become* capital through being saved for that purpose, but it is not so now, nor necessarily at all.

Well, now, I have finished my quarrel. What I want to make clear is that it is not the man who *spends*, but the man who *saves*—not I who buy the mince-pie, but the shopman who puts by my threepence—who really accumulates the capital which employs labour ; but though the quarrel is finished the subject of this present paper is only just begun.

There is one question you will want to ask. I am sure it will occur to some one to say, “ But, after all, the confectioner can't *go on* producing unless you give him the threepence. It may be all very true, that it is he and not you who determine that that threepence shall go to employ labour—your view may not go beyond the taste of the mince-pie—but, after all, it's your threepence that

enables him to do it. Now what I want to ask is : where do all these threepences come from ? ”

*Where do all those threepences come from ?* My friend, you, at least, have gone to the root of the matter. Where *do* they come from ?

I am going to tell you a story, and the answer to this question is the kernel of the nut.

There was once a country—I don't know where it was and I can't tell you accurately how George Gardener and Andrew Farmer came to live there. They may have been shipwrecked on it, but if so it was a very carefully arranged shipwreck ; or they may have taken a balloon and gone out to it. But, anyhow, there they were—two men, at the prime of life, and with all their wits about them. And more than that, they had all kinds of tools for agriculture, for cutting down trees, and for making their wooden houses. Besides this they had seeds of all kinds of vegetables, corn and flowers, and food enough of one kind and another to last them through the year.

The first thing they did—like all wise men—was to define their rights. That is to say, they divided the tools, food, and seeds between them. But on what principle ? George Gardener had always a fancy for gardening. Andrew Farmer had been brought up at a farm. So when they divided, George took flower seeds and bulbs, and the tools that he would want for gardening, while Andrew took that part of the stock which was suitable for farming—corn and vegetable seed and so forth—hand-plough, scythe, and flail, and other tools. The food they divided equally. Now what happens at the end of the year ? that is what I want you to consider. Of course, both George and

Andrew will have eaten the food they had for the year ; but what about next year ?

Well, George Gardener has grown some beautiful tulips and hyacinths—his carnations have a wonderful scent, his sweet peas are a sight to see. *But can you live on tulips and hyacinths ? Will sweet peas and carnations satisfy a man's hunger ?* I am sorry for George if this is all he has to look to.

But what about Andrew Farmer ? He has raised corn, has a good crop of potatoes, turnips, mangel-wurzels, and other kinds of vegetables. Very well ; comparing the two as the result of a year's work, I should say there was not much to choose between them. George Gardener's flowers show him to be as skilful and diligent in gardening as Andrew is in farming. But the question arises, "How about next year ?" And this is what I answer—

*"George's flowers may be wealth but they are not capital.* They will be used to make the house look pretty, inside and out, to wear in his button-hole on Sunday, but they cannot be used for the support of his labour during the coming year. To use a convenient phrase—they *will be consumed unproductively.*

"But Andrew's produce is not only wealth, but will also be used as capital. It will be consumed just as much as George's, but it will be consumed *productively.* For though Andrew Farmer uses it up, he will use it in supporting himself while he produces still more. Shortly, then, Gardener's wealth is not capital because it is not used in *production.* Farmer's wealth will be capital because it will support his labour."

What is George to do then ?

Andrew Farmer has produced more food than he will eat himself during the next year, while Gardener has produced none. On the other hand Andrew is as fond of flowers as Gardener is, but has not such a talent in growing them. Andrew goes to George and says to him—"I have food enough for two for the next year, but I want other things besides food. If you will make me as nice a garden as your own for next year, and look after it, and keep us both in flowers, I'll keep you in food." That's a simple arrangement, and George is only too glad to agree to it. And so they go on. George Gardener takes to making many other things, for he is a handy man—furniture for their houses, and so forth : but all the things he makes are things of this kind—things to be enjoyed, but not things to be used in producing more.

*Now, is Farmer giving Gardener employment or Gardener giving Farmer employment ?*

Well, in one sense they are each giving the other employment. If it were not for Farmer, Gardener would not be able to live at all, and but for Gardener, Farmer would need only to produce half as much food as he is doing, the other half of his time or of his produce would be wasted. So they are working for each other, and employing each other.

*But the possibility of Gardener's existing at all depends on Farmer's labour.* Farmer could get on without Gardener, but Gardener could not get on without Farmer.

To show you this, let us suppose another man, Peter Parrish, to be landed on this same island, he also having food, only just sufficient for present necessities, and *no capital* to start him in producing for himself.

Farmer and Gardener set up the cry we have heard so often, "Find him employment."

"I'll give him employment," says Gardener. "He shall come and help me to cultivate roses."

"Excuse me," says Farmer, "but there's something you haven't thought of; how are you going to pay him? We can both give him plenty of things to do, but can we equally give him plenty of pay? If he works for you, you'll have a double lot of flowers. If he is content to be paid in flowers, well and good. But if I am not mistaken it's food he'll want, and I sha'n't have an extra quantity of food."

Of course Farmer is right; and Peter Parrish must work at least half his time for Farmer, to produce the food, which is a more satisfactory payment for a poor man than flowers.

Now do you see what follows from all this? We can sum it up in a few words. Our result last time was that those who wish to increase the wealth of the country must do it by working, and cannot do it by idling and destroying. This time we have got a step further, namely, to see that of all the things which are produced, some are capital and some are not. Those things only are capital which are used in producing more. Those things are not capital which are simply *used up* when they are used and leave nothing behind. Your mince-pie was not capital, because your eating it had no *further results* in making you produce more.

The only part of Gardener's flowers that we can call capital is the seed and the roots, but the flowers themselves, though George and Andrew enjoyed them, withered away and left no results.

But the food which Farmer produced was capital, because it was "*consumed productively*"—consumed in producing more. Gardener and Farmer ate it through the next year and were able in consequence to do their work.

The enjoyment of the flowers we may call the "*un-productive consumption*" of Farmer and Gardener, as it was consuming things which did not help them to produce more. But the consumption of their food was "*productive consumption*," as their use of food helped them to produce more.

But what does the history of Peter Parrish show us?

Peter Parrish was in the position of the "unemployed," with will to work, ability to work, but with nothing to work on, or work with. The question was, How to give him employment?

Or put it another way. There is a certain amount of capital each year (Farmer's produce), which is giving employment to two men—Farmer and Gardener; to the one in producing luxuries, to the other in producing necessities. They want to employ a third man. How are they to use their capital so as to make it give employment to all three? Are they to use it in producing more necessities or in producing more luxuries—in increasing capital, or in increasing things which must be *unproductively consumed*?

The answer to this is not difficult after the results we have arrived at. We have seen that if capital is used in supporting labour which produces more capital, it is *reproduced every time it is used*, and so goes on giving employment to labour, forming a perpetual fund for supporting labour. If it is used in the second way it is used up as

soon as it is used, and so cannot go on giving employment to labour.

Thus the capital used in making the mince-pie was not *reproduced as capital*; and every time a mince-pie was made, capital to make it had to be drawn from some other source.

If I save capital and employ men to make me an ornamental pond in my garden, I make this capital employ them *once*; but as soon as that pond is made, I can enjoy it as a luxury, but I cannot use it again in employing labour. If, on the contrary, I had employed these same men in draining and preparing a bit of marshy land, I use the capital just as much, but it is reproduced for me again by the crop I grow on this land, and I can use this new store of wealth again in employing labour.

From this, then, one thing is made clear to us. To increase our consumption of luxuries will not increase our power of giving employment.

And this holds true whether the question is of public or private luxuries. If we employ the unemployed in laying out a new park, that is giving ourselves a great public luxury—often a very good and useful one—but still a luxury, in the sense that it does not help us in any direct way to produce more material wealth. As soon as it is finished, the capital which gave employment is used up and done with.

But if we use our capital to produce something which will be productively consumed we shall really give permanent support and employment to labour.

If we use it in making a good railroad, for instance, so that things produced in the country can be brought up to London, we shall have used it

in employing labour, and when *that* use is over and done with *something remains*. The country produce comes up cheaper—it is worth while to bring up fruit and vegetables which were allowed to rot on the ground before—thus the country benefits; and London people pay less for their fruit and vegetables than they used to do, and can spend what they save on supporting labour in some other way.

In conclusion, then—some capital is used in producing more capital, and as often as it is used in this way it goes on and on giving employment to labour. Some capital is used in producing luxuries, and when it is used in this way it is simply used up, and nothing remains.

“It would be a good thing, then, for all of us to give up our luxuries. Is that what you say?” That’s a big question, and will want a paper to itself.

### III.

#### AN INDUSTRIOUS PEOPLE.

"So the real way of giving employment is to spend no money on luxuries, but to turn it all into capital—to live on bare necessities and to save the rest?"

Quite true.

"So this is what you advise?"

Not at all.

"But at any rate you said it was the best way of helping the working classes?"

Excuse me, I think exactly the reverse.

"Then I declare I cannot understand you at all. I followed your last paper, and thought when I got to the end of it that at any rate I knew what I ought to do. If I spend my income in luxuries I am not really giving employment at all. Capital spent in producing luxuries is used up as soon as the luxuries are consumed. But capital which is used in producing more capital goes on giving employment as often as it is so used. I am sure you said that. So I thought that I should be doing the best thing for the working people by saving my money and not spending it. And now you say you think

exactly the opposite. You are contradicting yourself and making fun of me."

No, if you will believe me I am not contradicting myself, and neither am I making fun of you. I still think what I said, that if we want to *give employment* we should turn our wealth into capital, and employ that capital in producing more capital; but I never said, nor do I think, that the best way of helping the working people is to give them increasingly more employment. On the contrary I tell you, and I mean every word I say, that if that was the view I took of life *this world would not be worth living in*. Just let us consider what the world would be like if we lived with this in view only.

Suppose yourself to have waked up one morning and found the world had gone round while you slept, and that a law had been put into operation that no one was any longer to have any luxuries. How you would rub your eyes when you looked round the room and found that all your pictures had gone. The photograph of your son at sea, where is it? you ask. "Oh, the Inspector took that yesterday," says your wife, "he said it was only a luxury." "But where are the chairs and tables?" you say, surprised. "Oh, those are going to be used for firewood, as we must have fires," she answers. "But didn't you tell him the chairs and tables were used every day?" "Oh, yes, and I said it gave you such an uncivilized feeling to have your meals off the floor, but he said, 'Stuff and nonsense with your civilized feelings, civilization is only another name for luxury.'"

Well, perhaps you would feel rather stunned by that, but you would say no more until you came

clown to breakfast—spread on the floor of course. "Why, whatever have you done to yourself?" you say to your wife. "It's Sunday morning. Why haven't you got on your Sunday gown? and where are baby's blue ribbons?" "Oh, Sundays are to be week-days now," she says. "We are to have just enough time given us to keep healthy and strong and fit for work, but all the rest of the time is working hours." "But is there no church nor Sunday School for the children?" "Oh dear no, the Inspector says that's a very great luxury. That doesn't help us to do more work, and we have to do as much as we can to give more employment."

Well, you can't get out of your mind that it's Sunday, so as it is no good going to church, for the church is shut up, you take the children to go your usual Sunday walk in the woods belonging to the Squire's house. You like to go to these woods with all their beautiful trees—birches with their silver stems and hanging clusters of leaves, beeches, such a tender green in spring and flaming gold in autumn; but when you get to the Park gate you see that they have begun to fell the trees, the ground is dug up, and they are beginning to plant potatoes. And is not that the Squire over there? why is he masquerading about in a labourer's dress, with a spade on his shoulders?

"Times are changed, Joe," he says when he sees you. "I can't bear to see this going on, but the Inspector says the woods are only a luxury."

Well, it's time for you to go to work, and as you go about your business you are thinking in a puzzled way about what it all means. At any

rate one thing you resolve on—you will catch hold of the Inspector and ask him a few questions if you get an opportunity.

"I'll give that man a bit of my mind anyhow," you say as you stand at your door after the day's work is done, "if I only can get hold of him."

"I don't know, Joe," says your wife, "I think he might say perhaps that it was only a luxury for you to have a mind at all."

"I'll persuade him to share that luxury with me for once," you say a little grimly, and just at that moment in darts the little girl. "Mother, mother, hide my doll quickly, here's the Inspector coming down the street."

You walk out through your—garden shall I call it?—it used to be beautiful with sweet peas, mignonette, and all the lovely, sweet-smelling old-fashioned flowers. Now it is dug up, and good, useful potatoes are planted there, the pretty clematis torn down, and scarlet-runners beginning to sprout,—and you stride down the street to meet a man who is standing still and taking notes in a pocket-book.

"You are the Inspector I believe, sir?" (quite politely to begin with.)

"Just so," he replies, without noticing you much—too many words are a great luxury.

"Would you be so good as to tell me the meaning of all these new arrangements?"

"Why, of course if we cut down all the luxuries we shall have so much more capital left to provide work for people who are out of employment; for instance, if you don't smoke any more, the money which would have provided you with tobacco can go towards providing other people with the necessities

of life." (It's a comfort the Inspector doesn't think explanation a luxury.)

"These other people then are to have no luxuries?"

"Certainly not."

"And they are not to be employed in making luxuries either?"

"Of course not."

"Then what are they to be employed about?"

"They will produce necessities of life and instruments of production—capital, in fact, for further production."

"Then all work is to be directed to one end—that is, to supporting people while they produce more capital to set still more people to work?"

"Quite so, you have got it now."

"One thing strikes me, however; we have had so many luxuries before, even the poor have on your showing, that I think if all the money used to produce luxuries is just used to produce mere necessities of life, there will be more capital produced than *can* be used in employing the whole of the present population."

The Inspector looked very wise. "Quite so," he said, "but don't you see what will happen?"

"No—what?"

"Why, population will enormously increase—much faster than it does now. In the first place, there are all those people who haven't hitherto been able to get the necessities of life for themselves and their families—the most weakly children have died before, but now weakly children grow up. And secondly, throughout almost all but the very lowest class, people have waited to marry until they could bring a wife home not merely to a bare room,

but to a home made comfortable by some little luxuries and comforts. But now what use will there be in those people waiting? they won't get any luxuries however long they wait, so of course they will marry at once. Thus population will increase much faster."

"Well then, the end of it would seem to be an immense population, working all their days, living on the bare necessities of life, no little comforts, no amusements, no enjoyments, no learning except what will help you to produce faster, no religion. Tell me only one thing more—*What good will all this do?*"

"What good?" says the Inspector slowly; "why, I can't answer you that question, it's not my business."

"Nor can anybody in the world answer it, I think." And with that last word I will allow you to wake from your dream.

But now I come to think of it, in waking moments, I seem to have heard that there is actually such a community in the world—multitudes of such communities indeed. The members of these live all together in great cities, or rather perhaps in an enormous block of co-operative buildings, and everything is arranged so as to get the greatest possible amount of work done. They increase very fast, and when any city gets too large it sends out a colony to found a new city. Through all the best working part of the year, they are employed constantly in making up their stores for the part of the year in which they cannot work much. Their whole life in fact is taken up in providing for and bringing up their constantly increasing population. They seem to

enjoy nothing, to learn nothing new. Their life is simply employed in providing means to live.

"Are there no idlers among them?"

Yes, of course the whole population is not born industrious—but they have a very summary method of checking pauperism. When the idlers are grown up and continue to be idle—show that the drone nature is inherent in them—they are—put to death. The people in fact are so industrious that they think ordinary domestic duties interfere too much with business. Only the queen is allowed to marry, and the whole increase of population is due to the enormous family the queen has—she has many thousands of children. These children are brought up not by her, but by appointed nurses, in the most economical manner possible, housed as it were in a sort of great barracks, so that they can be fed and looked after most conveniently.

What? You don't believe a word I am saying? I am making up an absurd and ridiculous story? No, indeed, it is all perfectly true.

"But there can be no race of men anywhere which lives entirely on these economical principles?"

Men? No, certainly not, but I am not speaking of men at all, but of ants and bees.

"Of ants and bees? But it is just the ants that Solomon tells us to imitate, and he was the wisest of men. 'Go to the ant, thou sluggard,' he says. What do you make of that?"

What do I make of that? I entirely agree with Solomon, and every word I have said is in accordance with it.

"Go to the ant," he said, but he never said you were to *stop* there; "Consider her *ways* and be wise," but he never told you to consider her *ends*.

Do you not see that man has a much bigger destiny before him than the ants or the bees? He has not only to provide himself with the *means* of living, but he has to consider what the *end* of his life is—the ant has not got so far as this. "Consider her *ways*." One of the things we have got to do is to provide *means* for living, and a most important part of our duty it is too, for without that we cannot live at all. And in making such provision we may well go and consider the ways of the ant, her economy, thrift and industry, the energy and wonderful co-operation of the ants. But her end is only the continual provision of means; this is the whole of the ant's life, whereas it is only the basis of man's life, only his starting-point.

Now I should say that even a life which, besides providing for the mere means of living, provided only for its own enjoyments and amusements was better worth living than the ant's life—but man has a much greater end than merely to provide for his own enjoyments and the enjoyments of others.

What other end? Well, that is beside the direct purpose of my paper; but to tell you much in little, I cannot do better than ask you to consider the words of the king who sent us to the ant to consider her ways and be wise. He knew what enjoyment was, and what was the end of that, and what riches were, and to what extent they could satisfy man, and he says, "Wisdom is the principal thing, therefore get wisdom: and with all thy getting get understanding."

#### IV. THE IRON LAW.

"It is capital which gives employment ; capital out of which material to work on, instruments to work with, and support for the labourer while he works, are all provided. Capital then must be that which ultimately regulates wages."

Is this true? Yes, in a sense, but there is a sense also in which it is the basis of a mischievous fallacy.

"Labour is paid out of capital because it is paid for work the value of which has not yet been realized by the employer of labour. The number of labourers who can be employed depends then on the amount of capital which exists (independently of that required for tools, etc.), and the rate at which the labourers are paid; or, to put it the other way round, the rate of wages depends upon the amount of wage-capital divided by the number of labourers."

Now this is in one sense evidently true. Given the amount which is going to be paid, given the number who are going to receive, the average rate cannot be otherwise found. Yet stated as the

*reason* why wages are what they are it is misleading—as will be shown.

The misuse of this truth can be seen in such argument as the following—starting with some plausible illustration. "Look at the nearest farmer you know," an upholder of this theory might say. "Is he not paying weekly wages to his men, from seed-time to harvest-time, for work for which he will not be repaid till his corn is sold? Does he not, then, pay men out of the money which he already possesses? If you divide the sum he gives in wages by the number of men he employs, will not that give you the average wages he pays them?—though one man may have a little more perhaps, and another a little less. Say he spends £780 in wages a year, employs twenty men; £780 divided by twenty is £39. He will give them £39 a year, or 15s. a week each. And if he employed thirty men he would give them £26 a year, or 10s. a week each. The argument is founded on the simplest principles of arithmetic, it cannot possibly be gainsaid—and what is true in each one instance is true generally of the whole, that the rate of wages depends on the number of labourers and the amount of the sum set apart for wages—the Wage Fund, as it is called."

And what is the conclusion from this? The rate of wages cannot be raised except by an increase of the Wage Fund or a decrease in the number of labourers.

But does the number of labourers decrease? A child could answer that question. Do they, on the whole, decrease in the country, which is continually sending up fresh and fresh supplies of labourers to London? Do they decrease in London, which is continually adding street to street all round its vast circumference? Do they decrease in England,

into which foreign countries are pouring the surplus of their labour market—in England in which, moreover, the rate of increase from the native population is so enormous? Nevertheless, “the greater the number of labourers—other things remaining the same—the less the rate of wages,” says the Wage Fund Theory—as popularly understood.

But perhaps our Wage Fund is increasing too? Oh, yes, that is undoubted. What does the increase of the Wage Fund depend upon?

“On the amount of wealth that can be saved, that is on capital—and on the proportion of capital paid in wages to that spent in auxiliary capital,” our Wage Fund economist would tell us glibly enough.

And the wealth of England is increasing fast—and the disposition to save is not less. The third head needs a little explanation, but need not detain us long.

Auxiliary capital means that which *aids*, not that which *pays* the labourer, as material, tools, and—most important—machinery. Now, of course, if more of the capital is spent in machinery less—for the time being—must be spent in wages, according to this theory. We will not consider this very much here, for though it is one of the chief causes which decide the rate of wages according to the true theory, it does not very much appear in the popular “Wage Fund” argument; except in so far as at certain critical periods of industry some fresh discovery or other circumstance brings about a great change in the proportion of auxiliary and wage capital. But increase or decrease of wealth and of the inclination to save are causes constantly acting.

Let us proceed, then, with our argument. The Wage Fund, you allow, is increasing, but the number of labourers is increasing also—still if the

Wage Fund increases fastest the rate of wages goes on steadily rising.

I can see the superior smile with which our opponent shakes his head. What more has he to add?

“Is population increasing as fast as it can?” he says.

Why, no. Many people would like to marry earlier, but cannot because they have not sufficient means to bring up a family. Many children also die now who, if they had better nourishment, would live to grow up—therefore—what is the conclusion?

“Simply this, if wages were better population would increase faster still, would begin to outstrip the increase of the Wage Fund.”

What then puts the limit to the increase of population, let us ask in our turn?

“The ultimate limit is the *limit of subsistence*. Wages must be sufficient for the increasing population to live upon. If they are more, population increases, the number of labourers is greater, and therefore the share which each one gets of the Wage Fund is less—that is to say, the rate of wages goes down. Whatever improvements may be made, then, in the condition, wages, &c., of the working classes ultimately the increase of population will bring them back again to this *limit of subsistence*.” This is the Iron Law of Wages.

What wonder if, believing this to be the necessary result of the present separation of labour and capital, socialists have declared that the whole system of things must be changed, for that it cannot be endured that, whatever the efforts made by the working classes to better their condition, whatever the efforts made by others in their behalf—they always must come back to this limit of “Wages sufficient for subsistence.”

Now all the different parts of this theory do not necessarily hang together. Some people have held one part only, some all, some, like John Stuart Mill, have held only one part, the "Wage Fund Theory," and that inconsistently.

I want to show *that every part of this is wrong*, and that there is a *radical defect* in the theory.

In the first place, then, assume, for the time being, that the Wage Fund Theory is true. Wages are paid out of capital, and the rate of wages or the share each man gets depends upon the total amount and the number of people who are to share it. This doesn't tell us what the share will be because it doesn't say what the proportion of sharers is to the total sum to be shared. But if we add on to this the theory of population I have mentioned, we come to the iron law of wages. That theory is that population increases up to "the limit of subsistence." If the numbers are such in proportion to the "Wage Fund" that they get more wages than will furnish them with subsistence, the population will be increased and wages will fall down to this limit again.

To this second part of the theory, then, there is one great radical objection which I will put in the form of a question: "What is meant by subsistence?"

For, firstly, if "subsistence" means—its natural meaning—just what a man can support life upon, the fault of the theory is most absurdly manifest, because the labourer must be able to support a wife, and bring up at least two children to take the place of himself and his wife, or else the race would steadily decrease.

But, secondly, is it ever true that, as a rule, labourers have merely enough for this? Compare

an English agricultural labourer of Lincolnshire with his £1 a week, to a labourer of some of the midland counties with 15s., him again to a Dorsetshire labourer with 10s., and even this man to a crofter in parts of the western Highlands as he was twenty, even ten years ago. Compare their clothing, the worst paid agricultural labourer being able to send his children out with at least decent clothing, the Scotch crofter's children, clothed with one garment, never shoes or stockings. Yet the Scotsman had enough for subsistence merely, though no margin over this, for himself and his family. What shall we say, then, to the Dorsetshire labourer, the Lincolnshire labourer, and what then of all workmen of a better class of occupation than agriculture?

An improvement has been suggested on this "limit of subsistence." The increase of population is not governed by "the limit of subsistence," but by "its Standard of Comfort." If the wages he gets are not sufficient to provide a man with what *he considers necessary for him*—what is necessary to fulfil his "Standard of Comfort"—he will postpone marrying. When he marries he knows he will have a wife and children to support; he will not do it unless he considers that even so he will have sufficient to provide for them—according to his "Standard of Comfort." It is the "Standard of Comfort," then, which regulates the increase of the population. It is true that among the poorest classes of the population men often think with a certain despair that they will never be much better off than they are, and cannot be much worse, and so undertake the support of a family without much reference to any standard. Even here, however, their own standard—a very

selfish standard—has some effect. The children who grow up in these poorest classes bear a small proportion to the children who are born—because so many of the children born have not conditions provided, good air, good food, &c., on which they can live. But often this comes from what I have called the selfish Standard of Comfort. If a man who has married with this kind of recklessness feels still that a certain amount of beer or spirits, a certain amount of tobacco, not to speak of such things as clothing and food, is necessary for *his* comfort, his children may and will suffer for this; his Standard of Comfort for himself determines whether his children live or die; although he had not the unselfish standard which would make him pause before he brought children into the world, to live for a short time a wretched existence, and then to die.

So much, then, for the Standard of Comfort. But how about the Wage Fund Theory? Is that true, as it certainly has the appearance of absolute, unanswerable accuracy? "Distrust any theory in political economy which seems very simple," said some one who knew a great deal about the subject.

An illustration will be a good way of showing clearly the fallacy of this theory.

The amount of water in the sea depends (*a*) on how much there originally was; (*b*) on how much the evaporation is; (*c*) on how much is poured into it by the rivers.

Therefore, whether the sea is fuller at one time than another depends upon whether the volume poured in by the rivers is greater or less than the evaporation.

Then if the upholder of this theory went on to

argue that from certain facts, it appeared as if the rivers were increasing in volume, and that there seemed no extraneous reason to suppose that the evaporation was increasing; and further, if he were to conclude from that that the sea would presently overflow, we should have a theory very fairly analogous to the Wage Fund Theory.

How is this theory at fault? A child might answer that in the second case, though subtle thinkers have sometimes missed the solution in the first.

It misses the *essential point of the dependence of one of these causes on the other*. It treats these two points in each case as if they were independent of one another, whereas, in each case, one factor of the problem depends upon the other. The volume of water poured into the sea by the rivers depends on the evaporation from the sea, which, forming clouds, falls again in rain and feeds the springs of the rivers. In just the same way the amount of the Wage Fund depends, among other things, on the number of men. For as the Wage Fund depends upon what is saved out of the total amount that is produced, the very first and most essential point to take into consideration is "how much is produced," and this, of course, depends on the number of men who are working.

Let us suppose two countries to start each with a Wage Fund capital of £1,000. We will imagine an extreme case to make the reasoning more clear, so that we will suppose that country A employs 1 man with this £1,000, and country B employs 10.

The "simple arithmetic" which the Wage Fund theorists apply to this case shows us that the rate of wages will be £1,000 in country A, £100 in country B, for we divide the Wage Fund by the number of labourers.

But now we have had no reason to suppose that the amount of work the labourers do makes any difference; that is not a matter of any account to the Wage Fund Theory, so we will suppose that they all produce the same amount. Suppose they each produce £120 worth of manufactures. Country A has now £120 in place of the £1,000 she paid to her one workman, country B has £1,200. What about the Wage Fund for next year? Will the capitalists of country A subscribe together and make their Wage Fund up to the same amount it was before? The capitalists of B are all right, they can keep their £200 as profits, and employ their 10 workmen at the same wages as they did before.

What follows is clear, the Wage Fund depends on the number of the men for one thing. But does it depend on anything else?

One more instance. Country B has gone on some time employing men at this rate of wages, but now a plan of technical education is adopted, and immediately the work of the men increases in value, so that the year after this has been put into force they each make £150 worth of manufactures, making a total of £1,500 worth of produce.

The produce depends not only on the *number* but on the *efficiency* of the labourers.

But the total produce is £1,500 this year. What becomes of the £300? There is an extra share due to the increased efficiency of the labourers. To whom will this go? The answer to this will show us what really determines wages.

## V.

### THE VALUE OF WORK.

THE "value of work." I have put this as the heading of this chapter on the laws which govern wages, because in finding out what share of wealth the labourer obtains, we shall get our ideas more clear and more accurate if we consider the case as a case of Value, and ask, "What settles the *value of work*?"

But before we begin, let us understand an expression which is very useful when we are talking of cases of value.

When we buy anything it is because the thing we buy possesses in our eyes a certain *desirableness*—it is useful, or pretty, or gives us pleasure, or advantage in some way; this desirableness is called *utility* by political economists. But it is the case with most things that the more we have got, the less *utility* any additional portion of the same thing will have for us. For instance, a man *needs* a certain amount of food, he *wants* more, and he would *like* still more; but the *minimum* amount of food possesses an almost unlimited utility for him—"all that a man hath will he give for his

life." More food, such as will conduce to good health and strength, possesses a great utility; and even after he has had all that is required for this, to eat more will still give him pleasure, but the food has a *continually diminishing utility*. So in all buying, the more bought the more the utility diminishes, till there comes a point when the utility of a further addition to the amount possessed is not as great as the utility of the money (that is of the other possible purchases the buyer might make with it) *given* for it. At this point the buyer stops buying, and the utility of this *final* part of his purchase is called the "*Final Utility*" of the thing he is buying. This "*Final Utility*" is about worth the price paid for the thing—for if it were worth more, it is probable that more of that same thing would be bought. While if the last part bought were not so valuable to the buyer as the money he had to give in exchange, he would not buy so much. So the price is said "*to measure the Final Utility.*"

Let us take an instance. Suppose a woman is buying eggs. If they are two a penny she may buy four, and she does not want any more at that price; a halfpenny then is the measure of the *Final Utility* of the eggs to her—the utility, that is, of the *fourth* egg. A halfpenny doesn't measure the *entire* utility of eggs to her, because she wants the first egg very much more than the fourth, and would very likely have bought one or two even if they had been a penny each. But as the price she has to pay is less than the *entire* utility of eggs, she goes on buying until the utility becomes just *measured* by the price she must pay—then she stops buying.

You will understand now the expression that "price measures Final Utility."

Keep this explanation in your mind, and let us take up the question of wages where we left it at the end of the last chapter.

The wages of labour do *not* depend on a pre-determined fund laid by to furnish labourers with employment, but on a fund which depends on the produce and profitability of labour. But so does the profit of the capitalist depend, in one sense, on the produce of labour.

What do we mean then by the *produce of labour*? In one sense there is *no* produce except the produce of labour; that is to say, everything that is produced, is produced through the work of men; but is the whole of this produce due to labour alone? Clearly not, for we have already seen that for labour to work effectively capital is required. What we call then roughly the *produce of labour*, is really the joint produce of two factors, labour and capital. In civilized countries there is practically no wealth produced which is not produced by the co-operation of these two.

The difficult question with regard to the reward of labour, then, is the division of this *joint produce*. We must clear out of the way the two chief fallacies about wages already discussed. Remember:

1st, There is not a *given amount of work* that needs to be done.

2nd, That there is no *pre-determined fund* to pay wages with.

It becomes, then, easy to see that the reward of capital and labour depend upon their *joint produce*. The labour is undertaken in view of the product, and the capital is saved to a great extent for the

same end; and the greater the product the greater the return to labour and capital. But now comes the difficult question, What part of the joint produce is due to capital and what to labour? If they are both indispensable to the result, which produces the greater part of the result? And how can it be ascertained what part of the result each produces?

An acorn is dropped on the ground, and becomes in time an oak tree. In a loose way of speaking, we often say, "the acorn *contains* the oak"; just as we call the *joint* produce of labour and capital "the produce of *labour*." But was all that oak tree contained in the acorn? Was not the material of it rather contained in the ground from which the acorn, by the marvellous chemistry of nature, drew and transformed and vivified it? Any one who really thinks about it would find it difficult to decide which part of the oak tree was the produce of the ground and which of the acorn. Let us then before we try to decide in a hurry, as some people do, what part of the produce *ought* to be the labourer's and what part the capitalist's, try to find out how *in fact* the division is at present made.

Think of the capitalist and labourer as buying and selling. Every buyer is at the same time a seller, and every seller is a buyer; because selling or buying really only implies an act of exchange, in which something is given, and something received; and it is indifferent whether we look first at the thing *given* and consider that as *sold*, or first at the thing *received* and consider that as *bought*. So we will consider this act of exchange on both sides. First, we will think of the capitalist,

and his *demand* for labour—which he buys for the wages he gives—and the labouring man as selling his commodity of labour, the price being his wages. And secondly, we will think of the labourer as buying the aid of capital, which the capitalist sells, the price given and received being *the rate of interest*. And apply first to the case of the labour which is being purchased the law we arrived at,—that "price measures Final Utility."

Wages are the *price* paid for labour by the buyer (the capitalist); the price measures the Final Utility of the labour to the capitalist.

And what is meant by the "utility" of labour? Simply the profit that may be derived from it, as this is what makes it desirable. The price (wages) that the capitalist will pay measures, then, the utility, or profitableness, of the labour that he finds just worth while to employ. The *demand*, then, of the capitalist depends on the *utility* of the labour to him, and the utility of the labour is determined by its profitableness, or *efficiency*. Look at this a moment in the concrete case.

A farmer is employing ten men about his farm, and paying them £1 a week each. Five more come and ask to be taken on. What decides the farmer as to whether he will take them on or not? Is it not a consideration of the *profit* that will be derived from their labour? And in calculating this, he has several points to take into consideration. First, to employ more men he will want more capital, which he must either borrow or save out of his income. Will the additional labour pay a sufficient interest to make this borrowing profitable or this saving worth while? Secondly, if he does borrow or save this amount of capital, will

it pay him better to employ more men or to buy more machinery? And finally (a question which enters into the decision of the other two), will it pay him to employ them at the same rate of wages? The five men will make some addition to the produce of the farm, but will they produce as much *per man* as the first ten? With higher cultivation, will the farm yield proportionately as much return to labour and capital as it did at first? Of course, after a certain point it will not do so. If on a given piece of ground ten men can raise enough produce to keep themselves comfortably, one hundred men at the same piece of ground will raise more, but not ten times as much; two hundred men might not be able to keep themselves at all on it, however miserably. So the farmer calculates if the employment of the additional men will yield him *profit*, and if it will yield more profit than employment of machines, &c., to the same amount. Again, he calculates if they will yield him the *same rate of produce*, and so enable him to get the *same rate of profit*, while he pays them the *same rate of wages* as the first men. If the five extra men will not produce proportionately as much as the first ten men, the *final utility* of their labour has decreased; and if the farmer takes them on at all, it will probably be at a *lower price*.

We have got then to the determination of wages from the position of the capitalist as buyer. *The price* he gives depends on the *final utility* of the labour, and his *demand* extends as the price is lower. He goes on demanding more labour as long as the utility of the labour to him is worth the price he must pay; if the "Final Utility" of

the labour decreases he will not demand more labour except at a lower price.

Now look at it from the side of the labourer as seller. There are a number of people all eager to sell their labour—this is the "labour supply." But as the supply increases it is not always possible to employ the labour to such good advantage as formerly. This is expressed by saying that the supply of labour is increased more than in proportion to the extension of *the field of employment*. This is not always the case when the supply of labour is increased, but in old countries, which have been long inhabited, it is likely to be so. For instance, when Robinson Crusoe's "supply of labour" on his desert island was increased by man Friday's "supply of labour," this immensely *extended the field of employment*, for Crusoe and Friday together could do many things that Crusoe could not have attempted alone. But if such an island were well populated, and all the land were parcelled out among the different people, and well cultivated, any new people landing might not be able to do so well for themselves as the first people. The "field of employment" would not have extended sufficiently for the new supply of labour to be as profitably employed as the first supply.

You have often heard of the wages of labour being "determined by the laws of supply and demand." Now see what it means.

If the *supply* of labour goes on increasing, capitalists will go on *demanding* more and more labour. But if the *field for employment* is not continually widening, in such a manner that the increasing supply can go on being employed as *profitably* as before, the *final utility* of the labour continually decreases.

Therefore, although the capitalists go on demanding it, they demand it at a *lower price*. Why do the labourers take the lower price? Because, unless they have combined, there is *competition* among them for employment, and if one man refused the lower wages another would take it. We see this, then, that while the field of employment is *not* being quickly extended, a quickly increasing supply of labour brings down wages. What checks the supply, and prevents wages sinking below a certain point? *The Standard of Comfort of the labourers*. All but the very lowest classes have a certain standard of living, which they are anxious to keep up. And they will not marry and undertake the care of a family, as we have seen, unless their wages are sufficient to enable them to do this.

In all this and the following argument there are two assumptions made that we must keep in mind: 1st, that the Standard of Comfort remains the same; 2nd, that competition is free—this we shall go into more later on.

Here then we have the determination of *wages* from the side both of the capitalist and the labourer.

Wages measure Final Utility. Final Utility means *final efficiency*, or *profitableness* of labour—the efficiency of the last part of the supply. The increase of the supply is determined by the Standard of Comfort. So that wages are proportioned on the one side to Standard of Comfort, on the other side to *final efficiency*.

Now for the ascertainment of *rate of interest*, or price paid for use of capital.

Here, in the same way, the price measures the *final utility*, the profitableness of the last part of

the supply brought into the market. And as we found that the increase of supply of labour tends to lower its Final Utility, so with capital.

A line of railway is being laid out. Rails are laid down to certain places, a certain number of trains are run. The outlay for this is repaid by very profitable returns. But after this outlay is made the railway company might still extend their “fixed capital” of railroads, trains, carriages, etc., running more trains, and to more places, where the traffic is less in proportion to the outlay. If the “field for employment” (the produce to be carried) were suddenly to extend, it would be quite worth while to increase the train service, but if not, the *final utility* of the line has diminished. Thus Final Utility of capital sometimes decreases with supply. What then in this case determines the *increase of supply*? Simply “*Cost of Abstinence*.” If the price paid for the use of capital more than compensates for the cost of saving—for the difficulty people feel in putting by their wealth instead of using it at once—the supply will increase until the “Final Utility” goes down, and the price only just compensates for the cost; but supply will not increase more than this, for people will not save unless the price they are paid for saving seems to them to make their saving worth while. A certain amount of capital may be saved independently of the price paid for the use of it—saved to be held in reserve. But beyond this abstinence must be rewarded by interest.

The price for the loan of capital then measures on one side the *final efficiency* of capital, and the other the *Cost of the Abstinence* which accumulated this capital.

Now we have our determination of the two shares of the joint produce clear.

*The joint produce depends on the combined efficiency of labour and capital. The division of it depends on the relative efficiency of labour and capital.*

Final utility—that is efficiency—of both labour and capital often decreases with increase of supply.

Increase of supply is determined: for labour, by Standard of Comfort; for capital, by Cost of Abstinence.

One more illustration to explain the sentence, "Division depends on relative efficiency of labour and capital."

Suppose our manufacturer to have engaged a certain number of men, and bought a certain amount of machinery. He knows that his market will allow him to extend his business still further, and he questions whether he shall take on additional men, or buy more machinery. What decides him? *The relative efficiency of the men and the machines.* If the machines will bring him more profit than the men he locks up his capital in the machines. If the employment of labour will bring him more profit he employs men. In the first case his demand for capital, in the second his demand for labour, is increased; in the first case the price of capital, in the second the price of labour, rises. Which of these two things happens, which class gets an increased share of produce, depends upon which is relatively most efficient.

One caution about this. I have called this the theory of the determination of wages and interest, as it in *fact* takes place not necessarily, as we think it *ought* to take place. But this is of course far from a full determination of how the division

takes place in the present course of things, and it is made moreover under a big assumption—that assumption is *free competition*; free competition among labourers for employment, free competition among employers for work-people. And free competition implies not only that people are free to act on what they know, but *that they know what they are about*. That they know, for instance, where there is most demand for labour, and what the demand is. It is this assumption that is chiefly falsified in the present state of things, and it is the failure of free competition that prevents the division which from some points of view seems equitable; namely, that labour and capital are paid out of their joint produce, according to their comparative efficiency, and that this rate of payment measures the Cost of Abstinence of the final supply of capital, and is determined by the labourers' Standard of Comfort.

## VI.

### FAIR WAGES.

ONE hears a good deal about "a just wage," a "fair day's wage for a fair day's work" at the present time; and after reading the last chapter some one might well say, "This is just what we want *in idea*. We want the workers to receive the *value* of their work. But you yourself really admit that under present circumstances this is not the case. A man may be just as willing and able to work at one time as another, but the market-price of his work may go down simply because of an increase in the supply of labour, with which he had nothing to do—not because he is actually doing less, but because with an increase of workmen, disproportionately to the 'field of employment,' his labour is less wanted. Moreover, you say that under the circumstances of free competition, a man would always receive the value of his work; but it seems evident that the keener competition there is the less are men able to obtain the fair day's work and fair day's wages. What we want is a *just* wage. We want a man to receive the *real* value of his work; and as, according to you, competition does not at present give this,

and it appears to us that the more competition there is the less will this be realized—let the just wages be fixed by public opinion, by law, by any competent authority."

This seems on the first view a reasonable plea; yet I shall try to show that it is not very reasonable—and this in two ways. First, that we cannot get a distinct notion of what is "fair" payment, what the "real worth" or value of work is, or what return for it is "just" except by the determination of market value which I have been explaining. And secondly, that it is not competition, but the *hindrances* to competition, which in reality prevent wages from reaching "fair" market value. And again, not competition, but hindrances to competition, which to some extent make values fluctuating, and therefore in a certain sense unfair in themselves.

*Perfectly* free competition cannot be attained; but the more we can get rid of inequality of opportunity, whether coming from ignorance, or from circumstances which prevent men availing themselves of their knowledge, the more nearly we approach to perfectly free competition.

First, about the justice or injustice of wages.

People talk as if one knew by intuition what were *just* wages, and could settle the just wages of any class of workers without reference to conditions of time and place, and to the earnings of other classes of workers. But a very little consideration will show us the unreasonableness of this. The highest wages which could be earned in countries where the standard of living was very low would be miserably insufficient in a better condition of things. In one of the most well-known parables of the

New Testament the wages of a day's labour in the vineyard are a penny, or about sevenpence-halfpenny of our money. Of course the value of money was greater then; but even allowing for that, sevenpence-halfpenny would be very low day's wages; yet this was considered "just." In countries unfertile and of poor resources the whole produce of the work would hardly provide such comforts as the labourer could easily earn in a new country, yet we never call the wages of the latter unjustly high; and the wages of the former, which will at most be a *part* of the produce, might not be unjustly low. Justice or injustice of wages evidently would have reference, not merely to the *actual amount* of the wages, but to the division of the produce. Wages would be said to be *unjustly* low when the proportion of the labourer's share to that of the capitalist is not as much as it should be. But what instinct tells us what the proportion should be? And should not the division depend on the *sacrifices* made by the saver and the worker?

"A man would always rather save than work if he had the means to do it."

Are you sure this is true? When a man thinks over the question in a reasonable mood, no doubt he feels that it would be much nicer to live on income derived from capital than to have to work for his living. But does he prove that he thinks so by saving all he can? Does he deny himself present comforts to provide for his old age?

How can we tell the comparative sacrifice made in saving and in working except by seeing what amount of capital is brought into the market compared with the supply of labour?

Does not the rate of interest measure for us the

difficulty of saving, and the sacrifice it is among any given people at any time and place? Some amount of capital—a reserve fund for old age—would doubtless be saved in England now if there were no interest—but probably a comparatively small amount. A lower rate of interest than the present would call out a larger supply than this, but still less than our present supply. Nothing less than our present rate would suffice to compensate the sacrifice incurred in still further increasing our supply to its present point. To uneducated and uncivilized people it is very difficult to save because it is very difficult to them to realize the idea of future gain, and difficult to exercise the self-control required to obtain it. But civilized and educated people live more in the future, and find provision for the future comes more naturally to them. The difference is the same as between younger and older people. Promise a little child that if she will give up her doll now she shall have two next year; (cent. per cent. interest!) she is not likely to agree.

When the Jesuits tried to teach some Red Indians in South America industrial arts, they found this want of foresight a great drawback. The Indians would eat the cattle they ploughed with if they happened to be hungry.

To decide then a "just rate" of interest the same for all nations at all times would imply that we could determine a "just reward" independently of the action rewarded. But if once the point is conceded that there is no *one* just rate of interest for all times, and places, and stages of civilization, can it be supposed that there is any special instinct which informs us of the just rate at given times and

paces? Do we inwardly feel a conviction that at the present time the just rate of interest in England was 3 per cent. before the last conversion of consols, and is now  $2\frac{1}{4}$ ; and that a hundred years ago the just rate was far higher? And would my instinct on this point coincide with that of all fair-minded people? I confess I should not trust to my moral sense in this matter.

On the other hand, under circumstances of perfectly free competition, by a sort of self-adjusting process, interest would vary with the greater or less sacrifice involved in saving, and the greater or less "final utility" of the addition made by saving to capital. For those who at any time think interest too low to compensate their abstinence, will leave off saving and the price will rise; whereas, if it is so high that it more than compensates the sacrifice, more people will save, and the increase of capital will reduce the interest. The rate will come to "equilibrium point" when it is sufficient to call out all the capital that it is worth while to use at that price.

To put it in other words, the rate tends to settle at the point at which the reward is felt by those who *have saved* the capital fairly to compensate the sacrifices they have made, and by those who *use* it to be worth the price they pay. No doubt they would rather have it cheaper if they could, but they would sooner have it at this price than not have it at all.

Such a determination seems at any rate to have a certain justice as well as a certain naturalness about it.

And observe what would follow from any artificial way of fixing a just return. If Government

tried to fix a maximum rate of interest, people *would not save* at a less rate than compensates their sacrifice to them. Under such laws capital would become scarce, people would be willing to give more and more for it, and its price might even advance on what it would have been without the law; and this price would be still further enhanced to the unfortunate debtor by the necessity of paying his creditor also for the risk of lending him money at an illegally high rate of interest. Lenders and borrowers can always find means of evading "Usury Laws."

And if the law could be enforced, it would necessitate *compulsory* saving; for if individuals would not save capital at the lower rate of interest, either industry would be crippled, or the State itself must save and must tax for this capital. This is of course what would happen under a socialistic system, and will be discussed in its place later on, but it is a serious measure; and if State management of capital failed, the country would be bankrupt. Thus the "just" distribution of produce, if it were not felt to be just by one class of contributors—the capitalists—might bring worse evils in its train than even the present system.

And similarly fatal indirect effects would follow an attempt to arrive at the same result by fixing a minimum rate of wages. If this trenched on the share of capital to such an extent as to put capital under really disadvantageous conditions, capital would emigrate or its accumulation would be seriously checked, certain industries would at once become unprofitable, workmen would be thrown out of employment, not to speak of the consequence in the way of pauperization which

might result from fixing the minimum wages higher than was demanded by the workman's *Standard of Comfort*.

And a further difficulty presents itself. A fall in wages is often a way of *diminishing* the evil of a failure of employment by spreading it over a large area.

Suppose that *over-production* of some commodity takes place, either from a change in fashion, from a mistake in calculating the demand, or from some event not under the control of the producers. Such over-production is very common. Suppose, for instance, that fruit-growing one year has proved very profitable; too many people embark upon it, more fruit is produced than can be sold, and the price goes down so that it does not pay the cost of producing it. Or there is so plentiful a year of hops that the price paid hardly covers the cost of picking. Or French silks come into fashion, and English goods are not bought so much. In all these cases the "final utility" of work which has not changed in itself, is lowered, and wages accordingly are also lowered in these trades. Some of these causes, as the good harvest, no one could control; some, as too many people embarking in a business, could only be prevented by greater co-operation among producers and consumers, by which the demand of the market could be better ascertained; and change of fashion could only be stopped by laws regulating what people should buy, or by combined action among purchasers to the same effect. But to fix minimum wages under such circumstances would do more harm than good; for it would mean that instead of the workers who were no longer wanted being kept on at lower wages for the time, or taken at low

wages into some other industry, most of them would be out of employment altogether. It would be impossible to introduce "fixity of employment" as well as "fair wages."

This fluctuation of demand is the hardship inherent in "market value." But it is a hardship for the employer as well as for the workman, and if it can be obviated at all, it is not by fixing "fair wages." But for the rest it is not competition, but the hindrances to competition, which prevent wages from always reaching even this market value.

And notice, it is *free* competition, not *keen* competition, which is a necessary condition. Keen competition too often means fettered, unfair competition—competition within a certain class among men who cannot leave that class. The *keen competition* which ends in fighting at the dock-gates is not *free*. It is competition among men who can compete with no one else—among a class into which all men who have failed may sink, but from which one hardly can rise. If you were to tie men together for the "three-legged race," and say, "now *freely compete* with that man who is running alone," the competition would be free in name only.

The hindrance to freedom of competition is *inequality of opportunity*. That we can altogether do away with this seems impossible; but we can mitigate it. It is the impassableness of barriers between classes that fetter competition; that make it keen inside the class, but impossible between class and class.

1. Between working people as a whole and capitalists competition is not free because of the difficulty to many of *beginning* to save. To a man who has only just enough to live upon, it is im-

possible to save. If he has even a margin beyond this he can do it, and he can go on accumulating. But the less a man has got the more difficult it is for him to increase this little. This first barrier to the *freedom* of competition can be made less impassable by making it easier to save *small* sums, by Saving Banks, Friendly Societies, and perhaps best of all, Co-operative Societies.

2. But the second barrier to freedom of competition between workmen and capitalists is the fact that unless the workmen are *united* they are, to begin with, in an inferior position. The first inequality of opportunity fetters competition by making it difficult or impossible for the worker to be anything but a worker. It is done away by enabling him, while still a worker, to become *also* a capitalist. But without union competition is intensified between workers, while capitalists are protected from it to some extent. There is competition between capitalists no doubt, but each large capitalist combines in himself the power of employing a large number of workers. Thus the second inequality, want of union between workers, leads to competition between workers, while each capitalist meets them as a combined force.

3. Again, between different classes of workers, competition is not free, owing to almost impassable barriers between classes of workers, which result from inequality of opportunity; in birth, in fortune, or in education.

The inequalities of opportunity in birth and in fortune, chiefly matter in so far as they lead to inequalities of education. A man born among classes who do the most unskilled work cannot compete with more skilled labourers, because he

has not the education necessary to enable him to do the more skilled kinds of work. And he has not had the education, because he had not the money to pay for teaching, and to support him while he learned. He cannot compete with professional men, because he has not the still higher education and refinement necessary to fit him for it; and this education again is only possible to those who have means, and the refinement is easiest to those who are brought up in an educated atmosphere. This equality of opportunity is to be remedied therefore only by affording more facilities for education.

We have only touched here on what we shall further work out later on—the cause of unfairness in competition and the direction in which the remedy lies. The chief point of this present chapter is not to show the remedies of inequality, but to bring out the fact that it is not *competition* in itself, but only a *certain kind of competition*, which brings with it unfairness of reward—for fair competition shows what labour or effort is really of most value to the community, and apportions the return to labour accordingly.

Of course it remains true that there are certain *accidents* of trade which disturb the justice of the reward. These accidents must be as far as possible provided against. And it remains true that when this is done, and the opportunity as far as possible equalized, even if we could have all men equal in opportunity and competition ideally fair, it would not be the *best people* who would be rewarded, but the most *industrially efficient*. And this is fair while we are speaking of an *industrial reward*, for the best people have, as their portion, a better reward.

## VII.

### NO MORE NEED APPLY.

"OVER competition in the labour market." There is, as we shall see now, a real meaning in this. Competition in itself is not the evil, but certain kinds of competition. One quality of wholesome competition we have already discussed --that in order to realize true value, competition must be *free*; unfair competition is an evil.

But again, *too keen* competition is an evil. In one sense we may say that there cannot be too much competition (we cannot be too keen at proving the best), but there can be *too many competitors*. And it is in this sense--of "too many competitors"--that I wish to examine the phrase I started with, "Over competition in the labour market." Now that we have arrived at the true theory of wages, we see under what conditions this *overcompetition* can take place.

1. There can be too many competitors *for the time being* if there is a sudden alteration of the proportion between the supply of labour and the capital which employs it; produced, for example, by a sudden increase of labourers, if there is not enough

capital to employ them all--not enough to provide tools, materials, workshops, wages, &c., until produce can be realized.

But it does not often happen that there is too little capital if the labour is likely to be profitable, for capital can be *increased through credit* from wealth which would otherwise lie idle or be unproductively consumed--or most important at present in England--profitable labour will keep capital in the country which would otherwise go abroad. That is to say, those who have not funds enough of their own to employ more labour, will borrow from those who have. Those who have funds which they would not otherwise have turned into capital, will consent to lend if high interest is offered--as it will be if the labour is likely to be profitable.

Still this insufficiency of capital to employ all the labour seeking employment does occasionally occur if, for example, we have a sudden alteration of the proportion of labour and the capital which pays it, when machinery is suddenly and widely introduced. Capital is then withdrawn from the payment of labour to the purchase of machinery. Even if capital is extended by credit, the extension is likely to be *at the time* in the direction rather of more machinery than the employment of more labour. But this is for the time only, as the increased produce which will result will lead to a new demand for labour. After a certain purchase in the direction of machinery has been made, the "final utility" of the machinery will go down--it will be profitable again to employ more labour rather than use more machinery.

"Over competition in the labour market" (that

is, competition which leads to the lowering of wages) is only temporary, if it comes *merely* from an increase of labour, or a withdrawal of capital in the direction of machinery.

2. But such a lowering of wages is permanent if the over-competition leads to, or comes from, a *lowering in the efficiency of labour*. If labour cannot, from one cause or another, employ itself to such good purpose under the changed conditions.

For instance, if increased supply of labour has to employ itself on inferior material resources.

Or if it is so overcrowded, or underpaid, for a time that when the demand begins to increase again the labourers are physically, morally, mentally, industrially inferior to what they were before.

Again, if there is a new influx of labourers who will work for less than the old ones, the labour market is often said, perhaps incorrectly, to be overcrowded.

What, then, is to be feared as to the actual overcrowding of the labour market?

First (this is the least important), a fear is sometimes expressed of the overcrowding of the labour market by the fact of people working *who do not need* to work. But we have already seen the answer to this—it is a part of the old fallacy that “idleness is good for trade.” If all who are now living in idleness were to work, wealth, and therefore the power of employing labour, would be increased. It is quite a different thing to add to the working population those who are at present supported in idleness, and to add a new population who would have to be supported; for in the second case—far from being profitable—they might not produce enough for their own support at the same rate per head at which labourers are being supported now.

Secondly, the same thing may be said of all woman's work. Suppose that there are an equal number of men and women in the country, and that up to a certain date the women have not worked at all—they must obviously be all supported by the men. Even supposing that there is a *fixed Wage Fund*, if the women were all suddenly to take to work, no one would on the *average* be worse off—in point of income derived from work—than before. The same fixed Wage Fund would be divided among them, and (to take the simplest supposition) if the women and men were paid equally, each workman and workwoman would get *half* of what the workman had done before.

The men, it is true, might be worse off than before, because whereas they might before have given their wives and daughters only a scanty subsistence out of their wages, now they only get half wage, and the women get half wage for themselves.

It is, however, the wages of the family that we are most concerned to notice, and taking the family as what is called the “wage-earning unit,” we see that the average family wages are the same as before, though both men and women have to work now for what men alone earned before.

But this is under the false theory of a *fixed Wage Fund*. What changes will be made in our conclusion by the true theory? This, of course—that whereas we supposed a *fixed Wage Fund* before, now we shall have our Wage Fund *increased by the produce of all the new workers*, exclusive of what is needed to supply them with tools, material, etc. This produce, we must always remember, may not be *proportionately* so large as it was before, for the new workers may be less productive—and

if they are women this is very probable—but the family-wage will be *larger* than before. In this sense there will be “over-competition in the labour market,” that *individual wages* may be a little brought down even for the men, and the wages of the women will be again lower than these, but the *total wages will be increased without a corresponding increase of population*; that is, the wages of the family will be higher.

Of course, the utmost extent of this competition will be apparent to the men, and they will very often not see the less immediate gain. A man will find in the factory that women are taking the place of men. He may not be able to get his boys in, because women are taking their places. If it was the women of his own family against whom he was competing, he would see the total gain; but of course it is as likely as not that this is not the case. Again, in the post-offices, telegraph-offices, and so forth, women's work at a cheaper rate may be in more request than men's work at a higher rate; and so the men find themselves pushed back to less remunerative posts. It is likely that they should feel the competition of the women.

But on what ground can they oppose it? On the ground of justice, have not women an equal right to work if they choose to do so? The *advisability* of women's work from other points of view I shall discuss in the next short chapter; but what needs to be remembered here is this—that in allowing women's work, we are not decreasing per head the amount the working population have to live upon. We are not bringing in a new population who will bring down the standard of living, but we are increasing produce by the work of those who were before supported by the work

of others; so that the *family wages* are higher, even if those of the men are for the time slightly reduced.

Lastly we come to “over-competition in the labour market” by foreign immigration.

Many people wish to check this by State intervention; but let us take in all the bearings of the question before we go in for such a measure.

1. This is of course a different case from the case of women's work—for the foreigners come in, a new population which has to be supported. They take lower wages than our men at home, and therefore bring the rate of wages down. But the extent to which they do this is often exaggerated by the old idea which still survives, that there is a certain *amount of work to be done*, and if there are more people they will be paid less for doing it, or fewer among them will be employed. But let us remember that a producer brings with him, in the long run, the means of his own employment. If the men who came in were much better workers than our own men, and if the resources of the country were not limited so that they could produce a great deal more, the average rate of wages would not sink, but rise. It is true that they would rise for these better workmen, wholly or chiefly, and that they might not *rise* at all at first, but be lowered a little. But just so in the same way, if bad workmen come in, though all wages may be lowered at first, ultimately it will be only or chiefly the wages of the worst workmen that will be lowered—and the wages of our better workmen, if they still retain their superiority, will not be much affected. In any case, it depends on whether the resources of the country are or are not such as to bear (without reduction of reward per man) a large amount of increased labour at work on them.

I will give you an instance. China is an immensely overcrowded country, and the condition of labour is very miserable. It was said a short time ago that there were great mines in China which had never been worked, and a proposal was set on foot to open China up with railways and work the mines. Whether this will come to anything or not is not certain. But suppose it were done, and an immense number of men sent over, would this lower the already low wages of the Chinese? On the contrary, if the enterprise proved really fruitful, it would create probably a demand for labour over and above that supplied by the imported labour, and therefore cause a rise of wages.

"But," some one may say, "they could do nothing without capital to start with."

Quite true; but capital is always forthcoming where the employment of labour is likely to be profitable, for more will be saved when interest is high, and capital will be kept at home instead of seeking investment abroad; and it is as true that capital would be accumulated and invested in our country if our imported labour were likely to be profitable, as it is certain that it would be sent to China. Capital might be wanting for the moment, it is true, and it is this which would cause the temporary lowering of wages of which I have spoken, but it would not be wanting long.

The question of "over-competition," then, all turns upon whether the immigrating labour is likely to be so profitable. Firstly, whether the resources which will be opened up are likely to prove fruitful: whether there are natural resources to be opened up, or whether the organization of trade or commerce will make it profitable to start a new trade. As for instance the immigration of Polish Jews

has led to a development of tailoring. Secondly, whether the labour is up to the mark in efficiency. These two causes are the interacting elements of the profitability. And these of course are the doubtful points; but are they sufficiently certain to admit of decisive action *against* the immigration? The men who come in are not of the same calibre as Englishmen, but they are skilful in some trades into which they go—as the German Jews in tailoring; it is doubtful as to whether they would not beat an Englishman here. Again, is it certain that the resources of the country are not expanding, and will not expand still further? The exports of Great Britain between 1881 and 1890 increased more than in proportion to the increase of population. But if this point is not decisive, are there not other reasons which are decisive from the point of view of expediency, justice, and generosity?

*Expediency*:—we as a nation owe perhaps more than most to the mixture of nationalities which has taken place in England through conquest, invasion, and immigration—the adventurousness of the Celt, the Roman vigour, the enterprise of the Normans, the solid and steady qualities of the Saxon, the Norwegian blood, through which perhaps we get our seafaring ability. Add to this the advantages we have got from our immigrants—Spitalfields, and silk and lace industries through offering a refuge to the French Huguenots; commercial, banking, and monied advantages through our being one of the few nations which tolerated the Jews. Should we be wise in giving up this large-minded policy? And should we be *just*? We emigrate our own surplus population. What would Ireland have done after the famine of 1846 if America had been closed to starving families? Our emigration

still exceeds our immigration. "But we don't want to emigrate to the same places from which our immigrants come." Naturally we don't; *they come* because England offers a better field than Russia, for instance; *we go* because Australia and America offer a better field than England. "But America is already beginning to close its gates to paupers, and Australia will follow its example." Yet if this policy is not good, let us not hasten it by following in its steps; for lastly, is national selfishness allowable though individual selfishness is to be condemned? Our immigrants come as our emigrants go, from worse to better conditions—the balance of the result is to the good.

Yet this one point is to be considered on the other side.

Emigration, if it is *only* used as a relief to an habitually overcrowded population, is hardly more than an encouragement to rapid increase of population. If those who are put in a better position by the relief from overcrowding do not use these better conditions for the improvement of efficiency, for the raising of the Standard of Comfort, but are simply encouraged to marry earlier and have larger families, the emigration is little use. The country which receives the emigrants must sooner or later begin to have its resources exhausted, the efficiency of its population lowered by this constant increase, and there is no ultimate relief to the country from which they came, which has been getting as overcrowded as before.

Yet let us remember that if we check immigration from other countries on this principle, we ought to apply it also to discourage emigration from our own.

Should we be prepared to do so?

## VIII.

### "SHE IS THY SISTER."

BEFORE leaving the subject of wages, I want, in a very short chapter, to go a little into the question that we left on one side before—the question of the general desirability of women's labour. It is the more necessary to form a true opinion on this point, as the public has been, and is likely to be, appealed to, to help in the movement to improve the conditions of work for women; and it is not sufficient to do as so many do—sometimes give a little help, and sometimes leave the appeal entirely on one side, because we cannot quite decide what is the best course.

Moreover, there is likely to be, as we have seen, a certain antagonism, apparent, if not real, between the interests of working men and working women; and we have to inquire what part it is just, generous, and expedient for the labour organizations of men to play towards working women. Men who are already organized have not always acted generously towards women who are trying to organize.

The choice now is not as to whether women shall work or not, but as to whether their work shall be well organized, well conducted, and adequately

paid. The two leading questions at present as to the work of women are—(1) the labour of married women; (2) the payment of women's labour.

It is hardly necessary to say much about the harm resulting from the labour of married women; but it is one of the questions which does not concern the liberty of the individual woman only. The welfare of the children depends so immensely on the amount of attention that they get, and the time that the mother spends at home, that to allow unlimitedly the labour of married women is to imperil, physically and morally, the welfare of the rising generation.

A description was given me of a village where the industry was straw-plaiting, in which the women could earn a great deal, and it was almost universal for married women to work. This, of course, is less harmful than some other kinds of labour, as it is less likely to hurt the health of those engaged in it. But the plan was disastrous. The girls, even when they were just married, kept a separate purse from their husbands; and it had come to be the custom for the wife to provide most things for the children as well as for herself; and almost always where the women work much, the husbands get to depend upon their wives' earnings, and do not trouble to provide for themselves.

Now this first question of married women's labour is much complicated with the second question—of the payment of women. For two alternative checks upon married women's labour are often discussed: first, that it should be restricted by the State; secondly, that it is well women's work is so badly paid, because there is the less inducement to married women to work.

The first alternative—interference by the State—is a method which is to be avoided whenever it is possible to compass the end by any other means; even sometimes when it is impossible, for the remedy may be worse than the cure. There are undoubtedly certain cases on which a State enactment would bear very hardly indeed, and it is difficult for Government to adapt a law to special circumstances.

But for the second alternative: is it not rather a cold-blooded plan to make all remuneration for women's labour so small that none will work but those who are driven to it? Does it not make the pressure of necessity only harder on those who are obliged to work? It is hardly fair to withhold from those who are right to work an adequate remuneration, in order to discourage those who are not right to work? What remedy is there for women's low wages?

The reasons given of low wages are many. First, that women are not so efficient as men; this is sometimes a true reason, but not always—for where women can gain as much in piece-work payment as men, their time-wages still are often lower. Secondly, that on account partly of their inability for the more difficult kinds of work, partly from the prejudice which has closed so many trades and professions to them, the competition of women's labour takes place only among a restricted number of occupations; it is fiercer there, and therefore the remuneration is lower. This cause also accounts for some inequalities. Thirdly, that women look forward to marriage, and do not therefore prepare themselves for work by long apprenticeships, as they would do if they were likely always to be

dependent on their own exertions. And in the same way employers will not pay so highly work-women whom they cannot be sure of keeping. Lastly, that as so many of the competing women are partly supported already as wives and daughters at home, they only want their earnings as a *supplement*, and will therefore take lower wages, and so reduce the remuneration of women's labour all round.

These being causes, what then is the remedy? Only one—the *organization* of women's labour; and from all these circumstances women's labour is particularly difficult to organize. Firstly, because the wages are already so low, and organization requires funds. Secondly, because there is so much married women's labour, and these would not see the force of organization, and would not be able to hold out if their family was in want; and if the single women organized, these who are always ready to take work if the remuneration is good enough, and can generally *wait*, would flock in and take their place. Married women's labour is the difficulty that meets us at every turn.

It is hard to devise any remedy that shall adequately meet this difficulty—anything but the force of public opinion which will prevent married women's work except in cases where it is absolutely necessary, as when the husband is ill or out of work, or as in the case of widows with young children. Public opinion is the force which prevents such work in most classes of society: it is to be hoped that it may become effective among the poorer classes. If the unions could by external help, if need be, attain a sufficient strength, they would not be liable to be undersold by the labour of married women; as the employers would not

from this source *alone* be able to depend on a sufficient amount of regular labour.

That there is need for union, that the wages of women are miserably insufficient, needs hardly be proved; we have had enough statistics to show that for unceasing work they can hardly get sufficient to live on. These are startling facts. For work of twelve hours a day at ironing, which is heavy and exhausting work, a girl will get eleven shillings a week. The girl who told me that called it "good money." "It was impossible," she added, "of course, to earn as much as that when the trade was not very good; to be able to work twelve hours a day was only occasional good fortune."

The experiment was tried as to whether it would be possible to set up a shirt-making business, pay the makers wages enough to live on, *make no profit out of the business*, giving them the full price for their work, in fact—and the experiment failed; the other firms paid such starvation wages, that they could make a profit, and still undersell this one.

I must notice in passing that all that I have said about married women's work might be said with far more vehemence about children's work. It is bad enough for a husband to depend on his wife, but how much worse for parents to depend on their young children? Yet this will be the case if the earning of the children is encouraged by the sentimental philanthropy which a year ago represented the theatre-child as providing the Christmas dinner in the destitute homes; not to speak of the diminished efficiency of the child ultimately, by beginning work in years which ought to be given to bodily and mental development.

Children can be, and are to a very great extent, protected by the State with regard to the amount and conditions of their labour. But though the *harm* of excessive labour is greatly of the same kind for women as for children, State protection is not, as we have seen, suitable in the same way, from the fact that some women *must* work; and that the voluntary associations impossible for children are possible for them, and will accomplish better the end desired.

But these associations are so difficult for women that, it may be, they sometimes need outside help in starting them; but they must be made far more difficult by opposition on the part of men's associations.

We have seen how much less ground there is for opposition in this case than, for example, in the case of foreign immigration, as the work of women under proper conditions, even if it decreases slightly the individual wages, raises the wages of the family. But in a larger sense, are not the interests of women bound up with those of men?

"The woman's cause is man's—they rise or sink together, dwarfed or godlike, bond or free."

This has been more often quoted with the intention of proving that it is useless for women to seek to further their own interests apart from those of men, than to show that men too, in worthily advancing their own welfare, must seek also to advance that of women, which is really bound up with their own.

## IX.

### A GAME OF COUNTERS.

JACK, Jim, and Molly were playing at cards, and their stake was—sweets. But they were not playing *with* the sweets, for Molly had declared early in the game that the acid and lemon drops would melt away if Jack and Jim fingered them so much, and the caraway comfits would fall on the floor and get lost. So the sweets reposed on blue grocer's paper in the middle of the table, and the children were playing with counters. One white counter meant ten caraway comfits, one blue meant five acid drops, one red five lemon drops. On this calculation Jack had dealt out five blue, five red, and ten white counters to each player at the beginning of the game.

"I'm so poor," sighed Jim; "I've only got three blue, four red, and twelve white counters. I shan't have many sweets."

"I've got only four blue, and two red, and ten white," said Jack. "Twenty acid drops, ten lemon, and one hundred caraway comfits that means."

"I've got more than either of you," said Molly; "but," she added frankly, "I could eat twice as many sweets as I shall get for my counters."

"I've got a *lovely* idea," shouted Jim. "There are plenty of counters, let's double every one's counters all round!"

The suggestion was received with favour; but at the end of the game, to the astonishment of all, they found that they did not receive any more sweets, but, on the contrary, that each counter was worth only half as much as before.

I have done with Molly and Jim and Jack now, but the moral of the story is "all money is counters."

Remark this, however, the children had all exactly as much *real worth* for their money, or counters, because they were all increased equally --the counters, and therefore the sweets, were divided as before. But if the modest Molly had had hers increased only, she would have gained at the expense of the others. The *value* of all the counters would have been lowered, and she would have gained in *number of counters*.

Now we come to the point. If money all over the world were suddenly doubled, no one (except those who had fixed money debts to pay) would be any the richer. If every one, like the prince in the fairy story, put his hand into his pocket in the morning and found twice as much money as he had left there over night, no one would be a bit the better for it. If, on the contrary, the money in *England* were doubled in one night, *England* would not be the better for it as long as all the money was spent at home, but in buying from countries which had not had the same happy fortune, *England* would feel the advantage—like Molly.

Is there any other thing of which we should

say the same? Should we say that we were no better off in having more clothes, more food, more house-room, more books, if every one's possessions were increased to the same extent? Not at all. If all these things were doubled the country would be much better off whether other countries had had their wealth doubled at the same time or not.

"What makes this mysterious difference between money and other things?"

Go back to our example. If all the children have their counters doubled there is no advantage to any of them. Each counter is only worth half as much as before. And they get exactly the same number of sweets as they would otherwise have had. But if Molly has her counters doubled, each counter is worth less than before, but she has more sweets than she would otherwise have had. Suppose she has half the counters on the board to begin with, and these are doubled, that will make half as many counters again on the board, and as the sweets are not increased, these are worth only two-thirds of what they were before. But Molly now has two-thirds of the counters, and two-thirds of the sweets, whereas before she had only half. But now take it the other way round. First *double the sweets*; now whether or no the counters are doubled, every one will be twice as well off as before.

"What makes this mysterious difference between the counters and the sweets?"

The same answer will do for both questions. The sweets were desired for their own sakes, the counters for the sake of the sweets. So the goods were desired for their own sakes, the money for

the sake of the goods. Now you see why doubling all money equally benefits no one. Money is a *command* over the goods of our neighbours (those I mean which are to be sold), only desired because of this claim—a “command over commodities in general.” Now if you increase equally the *command* of every one, you leave every one in the same position that they were in before. If you, on the other hand, increase the command *one* person has over the commodities of the others, you benefit that person at the expense of the rest. If you keep this well in mind it will lead you through the difficulties of the subject.

But it is extraordinary how many difficulties there are! How the pursuit of money as a *means* turns into pursuit of it as an *end*, and avarice becomes miserliness. In one of the houses of Pompeii, the city that was buried in burning lava streams from Mount Vesuvius, could be seen an awful figure, a miser clutching his gold, struck and killed in the act by the burning stream and the sulphurous vapour—the love of gold enduring in the very face of death.

“But we have got over all that nonsense now. There are no misers left. Every one knows that money is only of use for the sake of what it buys.”

Do they? Is this certain? Perhaps they do as between man and man, but are they so certain as to the comparative valuelessness of money for the *nation*? Why then such outcries about “low prices,” about “money going out of the country”? That there is *some* truth in the belief that low prices are bad for trade I do not deny, but those who make the outcry seldom know exactly where the truth lies.

How many would know where the error lay in the “Mercantile System”?

The first theory of commerce was that its only gain was in bringing money into the country, and that once there, it must be made by laws and penalties to stop there. Spain was the country that put these laws most in practice, allowing no export of gold at all. Nothing could be imported and paid for in gold; commodities were exported and paid by gold. Thus gold was brought into and kept in the country, and Spain by this means was in a fair way to put a stop to trade altogether, and, so to speak, to starve on a heap of gold.

The “Mercantile System” was an improvement on this. The merchants saw that there was no hope of trade in any real sense if they were not allowed to buy from abroad. So they represented to Government that the exportation of gold was like sowing seed, which brought a fuller harvest. If they bought, for instance, raw materials from abroad, they could re-export them again, worked up, at a greater price. The country was gaining, they said, as long as “*the balance of trade was in its favour.*” That is, so long as the *value of the exports* exceeds that of the *imports*, so that the balance owing must be paid in money. How much of this theory still remains? Do we not hear people still saying that the country is going to *ruin because its imports exceed its exports*? But does not all this rest on the same wrong basis, the confusion of the *need for money as a means, with the desire for money as an end*?

England—the nation at large—desires money *as a means*, for two purposes.

Firstly, for the convenience of home trade, so

that the exchanging of commodities may be carried on within the nation as quickly and as economically as possible; but secondly, as regards foreign trade, a great supply of money is of advantage to the nation *in so far as it wants to buy of other nations*. Because this great supply of money, when it is used to purchase, means a great command over the goods of the other nation. But it is *only* of value in this way *when it is used*. If money is not paid away, if it is not used to buy from abroad, it is of no use to the nation at large to have a greater supply than will be convenient for home trade.

Distinguish carefully between these two uses of money for the nation—for *home trade*, where it is required for convenience of exchange, and for *foreign trade*, where it means a great demand for foreign goods.

But there is no advantage as long as the money is kept at home, and used for home trade, in having a *great* supply, as long as we have enough for convenience. A *great* supply is only of use in so far as it means a great command over the commodities of foreign nations, so far, that is, as it is used to *purchase from abroad*.

"But do you mean by this to say that high prices are not good for trade at home, and low prices not bad?—or that a drain of money out of the country is not likely to bring on a critical time with trade?"

Here are two questions slightly different, springing from the same root. Let us take them one by one. "Are not high prices good for trade, and low prices bad?"

"No," I answer; "but *rising prices* are good for trade, and *falling prices* bad."

Is this paradoxical? And first what, after all, are prices? "Prices" mean simply the amount of money we give for things.

Now it may easily seem absurd to us, if we have been dealing with prices only in a very small way, and on the practical side, to talk of any "general laws" of prices, "*general rise*," and "*general fall*." The price of each separate thing seems to us to be determined merely by the difficulty of getting that particular thing. "Prices are high." Well, prices of what? The price of eggs is high just now, because it is winter and the hens are not laying; the price of hops is high this year, because it has been a bad hop-harvest; the price of many things I should like to get—houses, furniture, clothing—always seem to be high, because all these things need costly material and much work to make—all different reasons. And yet there are some *general laws* which make the prices of all or most things fall or rise at the same time. And again, prices may be high of many things that you want perhaps, but it may not make much difference to you, because you may be getting good wages. You think to yourself that this is quite accidental, but in reality it may be from one and the same reason; although prices are high, you have plenty of money, good wages, to pay these high prices with. This hidden cause I want to explain to you, and we will begin by asking the question, "What makes prices high or low?"

With the counters we had a very simple example. We should find out the value of a counter by seeing how many counters the children were playing with, and how many sweets they represented. If they had thirty white counters among them, and three hundred caraway comfits, each counter represented

ten comfits. The other way round—the *price* of ten comfits was one white counter. We compared the number of things to be represented with the number of things that represented them.

But the case of money is a little more complicated. Two men went to the Derby Day with a barrel of beer to sell. One man had a threepenny-bit in his pocket. They were partners in the barrel, and as they went they added up the profit they would make at threepence a glass. But the day was hot, and the first man wanted a glass. So he paid the second man the threepence, and drew himself a glass. Then the second man began to be thirsty too, so he drew a glass, and paid back the threepence to the first man; and as the day grew hotter and the road dustier, the first man paid back the threepence, and the second man paid it back again; and it is needless to say that finally the barrel did not get to the races.

Well, the point of that story is this—Was the value of that barrel only *threepence* because there was only *one threepenny-bit* paid for it over and over again?

Certainly not. Every time the threepence was paid it represented *a new value*. It was exactly the same thing whether A and B paid the threepence over alternately to one another, or whether A and B had to begin with as many threepenny-bits as there were glasses in the barrel. A threepenny-bit changing hands ten times is equivalent to ten threepences.

So if there were only a certain number of things bought in a country, and a certain number of pieces of money to buy them with, and these things were bought only *once*, and the money changed hands only *once*, the value of the money would be found

by comparing the number of things with the amount of money, as with the counters and sweets.

But money which changes hands several times represents a new thing every time it changes hands. Therefore if the money changed hands and the things did not, the value of the money would be found by comparing the number of pieces *multiplied by the number of times they changed hands*, with the number of things to be bought, as the threepence passing twenty times between the joint owners of the beer-barrel represented just as much value as twenty separate threepenny-bits would have done.

But the *things* change hands also, and if every time they changed hands money had to be used, we should find the value of money by comparing the *number of pieces multiplied by the number of times they changed hands with the number of things to be sold, and the number of times they are sold*. Or, more generally, "The value of money is determined by its amount and the rapidity of its circulation compared with the number of transactions in which money is used."

This then is the "general law" which determines at any given time the value of money or the state of prices. And notice that a "high value of money" means exactly the opposite of "high prices." *High value of money* means that a great deal may be purchased by a small amount of money; that is to say, that things are *cheap* and prices *low*. So, on the contrary, if prices are high it means that much money must be given in purchasing; that money therefore has a *low value*.

There is another sense in which the "value of money" is said to be "high," by business men; that is when it is difficult to borrow, when the rate of interest is high. This sense is altogether

different from that in which the expression is now used.

Let us understand this then. If there is a large amount of money in the country which is passing quickly from hand to hand, we shall be made aware of it only by finding *that prices are high*. It may not inconvenience us at all, for it will very likely happen that wages are high too. So also if there is a small amount of money, or its circulation is slow, we shall find it out only by the fact that things are cheap and wages are low too; but in no other way will it be brought to the notice of most of us that there is little money in the country. We shall not find that there is no money to be had, but it will seem to us that it is difficult to get high wages, only that this matters less, as most of the things we want are so cheap.

Now in the nature of things you see there is no reason why high prices all round should benefit, or low prices should harm, trade. If prices are high, every one gets more money for the things he sells, and has to give more for the things he buys; and though to get more money seems a gain, it is no real gain if one cannot buy more with it *in the end*. Permanent high or low prices all round therefore do neither harm nor good. No one gets increased profits this way. If a manufacturer can sell his goods dear, he is not benefited if he has to buy his material proportionately dear, and pay his labourers proportionately dear.

But would it not be well if he could *sell his goods dear and buy his materials cheap*? Would he not get increased profits this way? This is what happens in a time of *rising* prices.

In a time of *rising* prices the manufacturer buys his materials at the lowest price, but by the time

that he has worked them up prices have risen, and he thus gets increased profits. Add to this that he goes on paying wages at the lower value, as the workpeople are not aware of the state of the case at the beginning of a time of rising prices, and you will see that his profits will be still more increased.

After the manufacturer, the man who produces raw material gains, for he pays for labour at the old price, and sells his produce at the higher.

Finally, the workmen gain, when they have become aware of the rise of prices, and are in a position to take advantage of it. Notice, by the way, that the workpeople receiving the old money-value of wages have got less real value for them because they have had to pay for what they bought at increased prices.

But all this is a stimulation to trade. Those who lose by rising prices are those who have money payments due to them, for they get the same money as they would otherwise have done, but it will buy them less of the things they really want. All people, therefore, with fixed incomes suffer, and all creditors. Debtors, on the other hand, gain, for they pay only the same money which is really worth less—the same amount out of a greater supply.

Our old example: Jim, after all incomes have been doubled, has to pay an old standing debt of five blue counters to Jack. His debt is really lighter, for he pays it out of twice as many counters, and it is only worth half as much as before.

"But why should it benefit trade that debtors should gain at the expense of creditors?"

Because debtors are mainly the employing class, creditors the class who lend money, but do not take much part in trade.

If the employing class is stimulated by increased profits they will be more active, more will be produced, a greater demand for labour will be created, industry will flourish.

And exactly as rising prices benefit trade, falling prices hurt it.

When prices are falling, manufacturers sell finished goods at lower prices, having bought raw material and paid for labour at the higher prices.

The producers of raw material begin to sell material at the lower prices, having paid for the labour at the higher price. Profits suffer, employment is checked.

Then the workman begins to suffer, though during the first part of the period he has been buying at a lower price with his wages calculated at a higher level; but when trade is checked, he suffers from a worse evil than low wages—loss of employment.

Thus rising prices are good, falling prices bad, for trade. But prices permanently high or low do not affect trade.

Now what questions remain?

‘Is not a drain of money out of the country likely to lead to a crisis in trade?’

This is a difficult question; one which concerns *banking*, as well as the *theory of money* simply. Look for this in Chapter XI.

But put another question to the same point in a simpler form.

‘Could not there be *permanently* in a country so little money as to permanently cripple trade?’

And following this—‘If money begins to go out of the country, why should it come back?’

These two questions we will consider in the next chapter, for they require some explanation.

## X.

### HOW MONEY COMES AND GOES.

“COULD there not be permanently in a country so little money, such low prices, as to permanently cripple trade?”

What is the use of money at all? What would happen if there were no money? Without money trade has to be carried on by barter. In our present state the things that are actually wanted are exchanged against one another.

Now it seems at first sight as if money merely put another link in the chain of exchange—made the process longer. Supposing, for instance, that I was a noble savage and had shot a deer, and you, another noble savage, had caught some fish, and I did not want a deer, and did want fish, and you did not want fish, and did want deer; you and I would exchange deer and fish to the complete satisfaction of both of us. This is one simple process. On the other hand, in a monied state of society the deer would be exchanged for *money*, and the money for the fish—two exchanges instead of one.

Well, of course every one will see at once that

barter would be simplest under the supposed conditions, namely, that the possessor of the fish wanted the deer and didn't want the fish, and the possessor of the deer did want the fish, and didn't want the deer. This is what is called the "double coincidence of wants and possessions," and, given this double coincidence, barter is certainly the simplest method of exchange; but in how many instances would you find this double coincidence? How much more likely it would be that the man who wanted to exchange the deer didn't want fish, but bows and arrows; and that the man who had bows and arrows didn't want a deer, but did want a new hut; and even if the man who could build a new hut wanted fish, they would be lucky; and even then what a series of exchanges it would be!—much like the house that Jack built.

The savage with the fish would give the fish to the hut-builder to build for the man who had bows and arrows, who must give the bows and arrows to the man who had the deer, who must give the deer to the man who had the fish! And this is quite a short series comparatively. Think what a lot of exchanging you would have to do in a civilized country to get something which a manufacturer would take in exchange for cloth to make you a suit of clothes.

All this is avoided by having *one* commodity in general demand; one commodity which every one will take in exchange for the things he has to sell, and with which he is able to buy anything else that is for sale.

This is called the *first function of money*—to be the medium of exchange.

But secondly, money is of use to compare the

values of things with one another. Suppose I had got some chickens to exchange, and wanted a felt hat. I might know that three felt hats were worth two pairs of boots, and one pair of boots was worth three garden-spades, and three garden-spades were worth half a wheelbarrow, and a wheelbarrow was worth five chickens. I should have a nice little sum to do to know how many chickens I must give for a felt hat. But if I know the values of all these in terms of money I can compare them without difficulty with one another.

So money is in this way of use as a standard for comparison of values. But it is of use in another way closely connected with this, as a standard of deferred payments. If I contract a debt for a dozen eggs in December, and paid back my debt in eggs—a dozen eggs—in June, my creditor would lose a good deal, for eggs in June are worth about half as much as eggs in December. People would hardly be willing to lend much if the debt might be of less value when it was paid back. Some one kind of thing is wanted which does not vary very rapidly in value, and in which debts can be reckoned, so that the creditor may be sure of being paid back the same value that he lent, and the debtor may be sure of not having to pay more than he really received.

These are all the functions of money with which we need concern ourselves. Money is wanted—

1. As a medium of exchange.
2. As a standard of value.
3. As a standard of deferred payments.

It is not difficult to see why *the metals*, and specially gold and silver, are particularly suitable in their way for all these purposes. A great many

other substances have been used, but none so good. In old times cattle were very extensively used, but cattle would not be very suitable for small purchases. And it is impossible to divide a cow (unless it is a very old one) without detracting from its value. Cattle, moreover, vary much in value among themselves. It would make a difference to your creditor whether you paid a bill of seven cattle in the lean kine or the fat ones. Precious stones have been used, but these are too small to be convenient, and cannot be divided without losing value. Iron bars were used by the Spartans, but these, on the contrary, were too large for convenience. That, in fact, is said to have been the reason that the Spartans fixed upon them—to guard against avarice.

There is another kind of thing, very convenient and very cheap, which has been used for money; but I shall speak of that afterwards, as it leads to a more complicated question.

I shall assume for the present that money is metallic—gold and silver.

Now considering all these useful qualities that money possesses, all these important functions that it performs, I quite grant that it would be very inconvenient if we had *permanently* so little money as to be reduced to a state of barter. It would in fact make trade as we have it now impossible, but *there is no chance of that.*

When commerce has been established the general level of prices *must in the long run be the same* (allowing for differences caused by cost of carriage) *in all countries which are in commercial relations.*

For purposes of convenience we will call this level of prices in countries which are in commercial

relations with one another the "General Level." This General Level of prices includes such differences of price as are caused by cost of carriage.

Take the case of our own country. England does not produce its own money at home, but gets it from abroad. If the supply of money were very small in England and prices very low it could not be supplemented by home production. What then would happen?

If money were at a very high value in England, less money would buy more goods, England would be a *good place to buy in*, the export trade from England would increase. But at the same time, and for the same reason, England would be a bad place to sell in. For goods imported to England would fetch very little money there, and the consequence is that the import trade would decrease.

England's exports then would begin to exceed her imports; and a money balance would be owing to England. Thus money would flow into England until prices had been raised to the same General Level as in other countries.

Thus the very fact that prices were lower than the General Level in England would lead to a redistribution of money.

This is what is meant by saying that the *territorial distribution of money takes place through the agency of price.*

If prices are actually at a lower level in any one country, the exports in that country will begin to exceed the imports, and this excess of exports over imports will not cease until enough money has been transmitted to raise prices again to the General Level of other countries.

This then is the answer to the question as to

whether there can *permanently* be so little money in a country as really to hamper trade. *It is impossible, if the country is in commercial relations with other countries, that its prices should be permanently higher or lower than those of the countries it deals with,* allowing for differences caused by cost of carriage.

This conclusion which we have just arrived at rests on the condition which we have assumed. We can express it completely by saying, "Provided that all these countries use the same kind of money," or, with sufficient accuracy for our present purposes, "use sterling metallic money."

I went the other day to see a museum at Aix-les-Bains, in France. In one of the glass cases lay several bundles of printed papers, something like bank-notes. This was what was printed on one of them.

I translate it into English :

<i>The Law punishes the forger with death.</i>	Series 901.	No. 127. £400.	<i>The Nation rewards the producer.</i>
	<i>FRENCH REPUBLIC.</i>		
	<i>Assignment</i>		
	<i>of four hundred pounds</i>		
	<i>of the issue of 21st Nov. 1792. 1st year of the Republic.</i>		
	<i>Mortgage on the National Land.</i>		
	No. 127.	Series 901. £400.	

These are the famous "assignats" or paper money of France; and the issue of them is interesting as showing how, with bad money, prices may be kept permanently above the general level, may be kept continually rising, and yet do no good, but only harm, to trade.

The French Government was in a bad way for want of funds, and conceived a plan of issuing its own paper money to pay its debts with. This paper money could not be, as our bank-notes and cheques can, exchanged for gold whenever any one wishes it. These were issued, at first, upon the land belonging to the nation; that is, they were ultimately to be changed into land. But no one wishes for land in trade, for land is no good as a "medium of exchange"; it has no "command over commodities in general"; every one who wishes to sell, does not care to take land in exchange. So the assignats passed for money, and were not exchanged for land. But the French Government had coined so much money that *they raised the level of prices in France*, and, as I showed you before would happen, money began to flow out of France. The assignats of course did not go out, because they would not pass current in other countries; but the good, sterling metallic money went out. What was left began to be hoarded up, and this went on, until practically all the good metallic money was withdrawn from the currency.

Still the French Government went on issuing. *Now* as they were dealing only in the money which had no value abroad, and which therefore would not leave the country, prices went on continually rising, and there was nothing to bring them down again, until at last a pound of butter could hardly be bought with an assignat of 160 francs (nominally £5 12s.). Did this increase the real wealth of the country?

Not at all; it gave the country at large no more power of buying from abroad than it had before, for other countries could not receive their money.

It was as if one of the children playing the game had chosen to add to his counters, counters of a different kind, which the other children would not recognize. It would be very nice for him to look so much richer to himself, but would add nothing to him when it came to the division of sweets.

But did it stimulate trade in France?

On the contrary, the insecurity of it was harmful to trade. Who would lend a thousand francs to any one to trade with when they might be worth only one-tenth of their value when it came to paying the debt? For remember, as prices rose money lost its value, and as the *issue* of money depended only on the arbitrary will of the Government, so did the value of money—debtors were then dependent only on the caprice of Government. Who would trade in a state of such insecurity? This same thing has been done by other Governments in different ways. Turkey, for instance, has raised prices not by paper money, but by making metallic money much lighter and much worse. By this means it too has driven good money out of the country.

Supposing this "debasement of money" were to be practised in England, it might be done in the following way. All the gold sovereigns would be called in, and the gold melted down and mixed in equal parts with some other metal, and coined again of the same size as before. Then those people whose sovereigns had been called in would be paid in these new sovereigns the same *nominal* value, but only half the amount of gold. So only half the sovereigns would be paid out, and the other half would remain in the hands of the Government. The Government then having funds in hand

would lighten taxes, and thoughtless people would say, "What an extremely wise Government! By this simple and beneficial measure we have had our taxes remitted, and at the same time trade has been stimulated by all this fresh money."

You know the other side of this story. First, when the merchants come to pay their debts abroad they will find they want twice as many sovereigns to do it in, for other countries will not take any money our Government chooses to issue, but wants really good gold; and so, secondly, the security of trade will be shaken, and thereby credit, which is the foundation of trade, will be disturbed.

But to an intelligent reader this difficulty might occur—"Why should not this paper money pass abroad as money if the other Governments would agree to take it? Why should not England, France, Italy, Germany,—all the countries of Europe, America, Asia, Africa, and Australia, which do any trade with each other, agree to take paper money from each other?"

If we went thoroughly into this it would carry us very deep, but this simple answer will suffice here.

The paper money means a *command over commodities*. If now England issued so much paper money as to raise prices in England above the level in France, money would flow from England to France; that is to say, England would, merely by the over-issue of paper, increase her command over the French commodities. This would be hardly fair to France.

To go back yet once more to the game. It would be as if all the children agreed to accept any counters the others might like to bring into

the game. Here obviously such an arrangement would be unfair if one child *trebled* his counters while the others only *doubled* theirs.

Paper money could only be accepted internationally if all the nations agreed together as to how much was to be issued. The practical difficulties to this would be immense.

The questions which we now have left to discuss must be all in connection with banking. These are the chief points—

“Are there any more causes which will raise prices?”

“What makes our own bank-notes not dangerous to trade, like the French assignats?”

“Is not a drain of money out of the country likely to lead to a crisis in trade?”

“What is the danger in having a low reserve in the Bank of England, and how can the danger be met?”

These questions sound disconnected, but the point of union will be found in the system of banking and credit.

## XI.

### CASTLES IN THE AIR.

WE will begin at once, then, with this first question—“What other causes are there acting upon prices?”

Here we come to a cause of a different *kind* from those we have been considering. Hitherto we have considered the value of money as depending on its *immediate causes*, supply of, and demand for, money—now we must go back to the *ultimate causes*, and ask, “On what do supply and demand depend?”

“What writes on this paper?” I might ask. If the answer is “my pen,” that is an *immediate cause*. But if I go beyond this to what directs the pen, and answer “my hand,” that is (relatively) an *ultimate cause*.

We have seen that the Government of a country by issuing its own cheap coin or notes can raise prices; but, in the ordinary course of things, in countries where the currency is mainly of good, sterling metal, what is it that affects prices, what settles the *general* level, and why should prices fall below that level, to begin with?

*The value of sterling metallic money is determined*

*in the long run by the cost of production of the money, and the normal demand for it*—that is the number of transactions in which it is ordinarily required to be used.

Supposing a man owns a gold mine—no matter where it is—what is it that settles how long he shall go on working that mine? There will come a time (with every mine sooner or later) when in our ordinary phrase it will not *pay* for him to go on working. Reckoning all his expenses according to their money value, whether he goes on working the mine or not depends on whether the ore he gets out of the mine coined into sovereigns will pay the expenses of the whole process—that is to say, adding together money paid in wages; interest on his capital; ordinary profits on the business; cost of coining (if he has to pay for it).

Is all this money greater or less than the number of sovereigns which are returned to him out of the mint to which he has sent the gold he extracted? If it is greater, or as much as this, he will go on working his mine; in fact, he might work it if he got less than the *ordinary* profits for the sake of keeping on his industry, but if it is much less than this the mine will not pay him, and he will give it up.

Now when we talk about the *cost of production* of money in a country in which there are no gold mines, we have to add to all the other costs, its cost of carriage. If the owners of mines whose produce is exported into England did not receive enough to repay them all these expenses they would not go on exporting it.

From this you can easily guess the first and most obvious event which causes a sudden rise of prices—that is, the discovery of a new gold or silver

mine. If a new gold or silver mine is discovered which is worth working, immediately money is produced from it and probably sent abroad.

The production and circulation of the money causes a rise in the general level of prices in the country in which it is produced and circulates. In this case that country becomes, as we have seen before, good to sell in, bad to buy in. Its imports increase and its exports diminish, and the superfluous money is sent abroad to pay for the excess of imports over exports.

Or again, what might very likely happen is, that the money would be sent abroad to be invested in foreign countries. England contains a great amount of foreign money sent for investment.

One point I must explain before I go on. I said a man had to reckon in his expenses the cost of coining, *when it was necessary to pay for it*. Now in England gold-coining is paid for by the State. If a man takes gold to the bank he gets back as many sovereigns as his gold can be made into. He gets as a matter of fact a very little less, because the bank which does not keep him waiting until the actual gold is coined, but pays him his sovereigns at once, keeps back a sum equal to the interest on this money. This is of course a very small deduction—about a penny halfpenny in three pounds ten shillings.

So far then we have got to this point—cost of production and the normal demand for money determines its value; that is, the general level of prices. The first cause which will raise prices is the discovery of fresh mines.

The second cause—speculation; but this will only raise or lower the value of money for the

time being, affect its "waves of value," the General Level being always ultimately settled by the cost of production of the money permanently demanded.

Here opens out a totally new field for consideration.

Hitherto we have spoken of money as representing commodities. Now we come to something which represents money, namely, Instruments of Credit. You know what a cheque is like; what is the direction that is printed upon it?

*Pay to ... .. or Order*

Pay what? Money, of course.

The instruments of credit are of different kinds—cheques, bank-notes, bills of exchange, promissory notes.

In one way or other these are all promises to pay money either on demand, or at some future time; but all of them every time they are used perform the functions of money, and thereby lessen the value of money; and thus they increase prices during the time they are used, just as an addition to the currency of actual metallic money to the same amount would have done. If we used metallic money in every transaction, and issued twice as much metallic money, we saw that we should really lower its value by one-half; just so if we doubled it by using the same amount of paper money without increasing the number of transactions, we should lower its value to the same extent.

*Paper* is the "other thing" I told you of in the last chapter, which has been used for money. Take, for instance, a bill of exchange; that is a promise made, let us say, by John Smith, to pay a certain

sum of money to Thomas Brown in return for goods received. This bill may be for £100, repayable in three months, and it will not be until the three months have elapsed that the £100 is paid; but during that time Thomas Brown may be using this bill to pay debts of his own to James Robinson; he again hands it over to Dick Jones, and so on. The bill may have performed the functions of money many times before it is repaid. This shows what is meant by the Credit System.

By the Credit System a promise to pay is used instead of actual payment of money. Thus the amount of money is practically increased, its value lessened, and prices rise.

Compare together an air ball and a solid india-rubber ball of the same size. As they are they both take up the same space; but supposing you want to reduce them in size, you will have to take a knife and hack away at the india-rubber ball, but you have only to prick a small hole in the air ball and let some of the air out. It will be reduced in size; indeed, you will be very clever if it does not collapse altogether, and leave you nothing but the fine skin crumpled up. That is very much like the difference between the Credit System and the Cash System.

Prices can rise by an increase of credit as well as by an increase of cash. If people are very secure, if trade is very flourishing and seems likely to improve, great purchases are made and much credit is given. The instruments of credit get a wide circulation, and raise prices just as an increase of metallic money would do if there were no credit.

But whereas if prices are above the general level

in metallic money, they cannot get lowered again until the actual metallic currency has been reduced by exportation, or by being melted down; with credit one little shock may affect the whole system.

Once give people a feeling of insecurity, as by the failure of some great house of business, and credit is drawn in on every side. Cheques are sent to be cashed, promissory notes returned for payment, book-credit stopped. Every one demands payment in cash, for every one is afraid to trust promises.

If A is indebted to B, and B to C, and C to D, and D to E, directly E demands cash payment from D, D to meet it will want C to pay *his* bill in cash; then B must pay his debt to C, and A to B. The whole thing, speculative prices and all, comes down like a card castle, or an air ball when it is pricked. But now—here comes the most curious part of it—mark what may have happened in the meantime.

If prices have been kept very high for a long time, the ordinary process will have begun to take place; that is to say, *money will have begun to flow out of the country.*

But what part of the money of the country? Not the *credit instruments*, cheques, bank-notes, and so forth, because these would not circulate in the foreign country; but the *actual metallic money.*

What happens then? That the credit instruments which represent money will go on circulating, while *that which they represent*, the metal itself, will have gone. When once the shock to credit comes, and people wish to realize in actual payment the "promise to pay," this will be found out, and what may very well be found out too is, that there is not enough *money to pay with* left in the country to fulfil these *promises to pay.*

But there is a check put in one respect upon the multiplication of "promises to pay" which it is important to notice. To do this we must explain a little the principle of the banking system.

Before any kind of banking was invented every one had to keep by him enough money to meet his own emergencies. Therefore throughout the whole country a very large amount of money had to be kept thus unused. This was a very uneconomical system. I will parallel it by an example.

Suppose there are fifteen children in a school who are learning the piano, and play it for one hour a day. If they must each have a piano of their own, you will have to keep fifteen pianos, each of which is unused for twenty-three hours out of the twenty-four. This would be wasteful, for all the children would not be using the piano at the same hour, and two or three pianos would give them all a convenient hour for practising in the day.

So here, if every one must keep his *own* "reserve," the amount of the "reserves" all put together will be very large indeed. But if they can be kept together the amount may be reduced very much, for every one will not want to call upon his reserve at the same moment.

This is what happens under the banking system. Every one sends to the bank the "reserve" that he will want for emergencies. Part of this indeed—a varying amount according to circumstances—is always left in the banker's hands as a balance, the use of which is a kind of remuneration to the bank for the trouble of keeping the account. The rest the customer deposits and withdraws at his own convenience. But the bank does not keep the whole deposit in reserve. It keeps a certain

amount of "till money"; it sends the remainder of its reserve to the Bank of England; and it *uses* the rest of the deposit as capital. This capital bears interest, and thus the bank is able to pay interest to its depositors.

Now the Bank of England keeps a reserve of about 33 % of its liabilities, so that including the reserves of the other bankers, the whole country may be said to keep a reserve of about one-ninth of its liabilities.

And this is sufficient at ordinary times; but it even may be reduced below this. If, as we saw, in a speculative time prices have risen very high, and money has begun to flow out of the country, it is probable that this drain has been upon the reserve of the Bank of England, and that it is reduced below its ordinary level.

This explains what is called the "Banking Department" of the Bank of England.

It has another department too, the Issue Department, with a reserve of its own. It is from this the bank-notes are issued.

Now whereas there is no check usually upon the credit given, except the will of the person who gives it, with regard to bank-notes there is a check. Bank of England notes, of course, are credit given to the bank—promises on the part of the bank to pay money if required; and in order that the bank should not overstretch its credit, there is a law that it should not issue more than a certain amount of promises to pay.

It may issue rather over £15,000,000 worth of notes on the strength of the money it has lent to Government; beyond this, for every note it issues it must put gold of the same value in its cellars.

This ensures that the "promises to pay" shall be always backed up by the power of paying. There is never any fear that it will be impossible to cash Bank of England notes.

What part does the Bank of England take when credit is stretched too far?

A time of great anxiety, when every one feels that credit is stretched too far, and contracts his engagements, is called a *Commercial crisis*. When matters have gone beyond this point—when a shock is given, and people begin to demand hard cash—it is called a *Panic*.

What would happen to the Bank of England in a panic?

In a panic, people in trade who have debts to pay, and want cash to pay them in, send to draw their reserves out of the country banks, and very often want loans as well. The country banks have got only a small part of their deposit in reserve, and that is in the Bank of England, so they send to the Bank of England for it, and they want loans as well. Call No. 1 on the Bank of England.

Great business houses want loans; they can give plenty of promises to pay their debts, they have got a great many articles on hand which will fetch good prices when they have time to sell them, but at present every one wants *money*, not promises of money. Here is Call No. 2 on the Bank of England.

There are a great many bills of exchange out. People who have received goods and are going to export them, or going to make them up to sell at home, have given promises to pay for the goods in a certain time. There are a certain class of the mercantile community called bill brokers, who deal

in these bills of exchange, buy them to sell again at a slightly higher price, or keep them till they fall in, and get interest on the money they paid for them. Every one wants to *discount* bills now with the brokers, but the broker is not anxious to *buy*; and if he does take bills to any large extent for his customers, he may himself not be in a position to meet the demands made upon him, and has to go to the Bank of England to discount these bills, and for accommodation also.<sup>1</sup>

This is Call No. 3 upon the Bank of England. And the bank has at best only one-third of the money deposited in it to meet all these claims, and if speculators' prices have been high, and money has been going out of the country, it may have less still. What is it to do?

Well, matters have been so serious that more than once the law about issuing bank-notes has had to be relaxed. One fearful crisis, there was a day called Black Monday, in which it was found that the bank would not have money enough to meet the demands on it. A messenger was sent off post-haste to the Prime Minister of the day to ask what was to be done, and the Government gave permission to the bank to go on issuing bank-notes without depositing gold, for they had none to deposit. No one had occasion to doubt that they could really get gold when they wanted it in ex-

<sup>1</sup> Discounting means paying money down for the bill; this is usually less than the money which the bill promises to pay, because some time must elapse before the promise is fulfilled, and the discounter must get interest for the money he advances. Thus if a bill for £100 is payable in three months, it might be discounted for £99. The man who paid £99 for it would thus get at the end of three months £1 more as interest on his money.

change for bank-notes, so they took and used the notes without misgiving, and the panic passed off.

But affairs can be managed sometimes without anything so serious as this. If the bank begins to lend freely, and to discount bills freely, people's fears will be allayed; they will not think it necessary to demand cash payments; and if it lends at a high rate of interest, and discounts at a high rate of discount (that is buying the bills cheaply, at a price much less than they offer to pay, and so getting a good deal of interest for them when they fall in), money will begin to flow back into England, for foreigners will be glad to send money over to England if they can get a high rate of interest for it—and so the crisis will pass off.

But it is difficult work managing this air ball sometimes, and it is well that the Bank of England has such wise management, and can be so sure of the support of Government in a time of difficulty.

## MOSES MUDDLEHEAD'S MARKET.

THERE was once a little island in the South Seas—latitude and longitude unknown—called the Island of Phalasy, and in the island there were three little villages, called Sillysia, and Tarifton, and Freetown.

Sillysia was a pleasant little village with very fertile ground, and the villagers did a great deal of market-gardening and poultry-keeping. They sold vegetables and chickens and eggs to Tarifton and Freetown, and from Freetown they bought corn, flour, and meal; from Tarifton, which had not much fertile ground, they bought all the manufactured articles they wanted—their clothes, their spades, their carts, and so forth.

Now at the time I begin my story—it was just after the 9th of November, and Moses Muddlehead had been made Mayor. The Mayoralty was entered upon with pomp. I will not trouble you with the whole of Moses Muddlehead's speech, in which he told them that they lagged behind in the world; but he concluded with these words—

"The glory of the ancient world was war; the

glory of the modern world is trade. We have neither one glory nor the other. We are an agricultural and a pastoral people—boorish and sheepish. The object of my Mayoralty will be to encourage trade at all costs—to make the Sillysians take the lead in the Island of Phalasy."

And Moses did encourage trade at all costs. Home industries were to be first attended to—these were best known—and other things might be introduced afterwards.

"While the men are learning other trades," said Moses, "their wives must keep the home together. The employment of a washerwoman seems to me fairly lucrative," he said; "let all the women be washerwomen."

"Will they have enough to wash?" said Daniel Dunder.

"Of course," replied the Mayor; "as things are now they would not get enough trade, but that is because some of the women do their washing at home. If every woman puts her washing out, there will be enough to keep all the women in employment."

"But some of the women can't afford to put their washing out," said Daniel Dunder.

"That," said the Mayor, "is evidently because they take none in. If every woman takes in washing, it is obvious she will be able to put out her own washing."

But though Daniel Dunder was completely satisfied, it was found on experiment that the plan would not work. The Mayor said it was because they did not put out enough washing, and therefore could not take enough in; but Samuel Sense, the town clerk, did not agree with him.

This is only an incident to show you the sort of energetic, enterprising man that Moses Muddlehead was.

Moses Muddlehead called together the town council to lay before them the accounts of the year. When these had been reviewed and found very satisfactory, he said he had a new proposition to make.

"I find," said Moses, "on looking over the accounts of the town, that we spend as much as £300 a year on the bread which we buy from Freetown. The whole of that £300," continued the Mayor, "is spent not in enriching our own people, but it comes straight out of the pockets of our own people, and goes into the pockets of the Freetownians."

"We get something in exchange for it, do we not?" asked Samuel Sense, the town clerk.

"We get the bread, sir, of course," said the Mayor; "but that is the very point of what I am saying. The first principle of trade is that your profit is in proportion to what you sell. The Freetownians sell us £300 worth of bread every year, not to speak of barley for the fowls, and of oatmeal. Imagine to yourself for an instant what a gain they are making from us! Our £300, which ought to be employing our own men at home, is employing Freetownians! Is this patriotic? There are many idle now who could be well employed if we had capital to do it with."

"Well, we can't do without the bread, that's plain," said Daniel Dunder, rather in a fright.

"Neither do we need," answered the Mayor, "to do without the bread. But instead of sending £300 over to employ strangers, let us keep it at

home to employ our own men. Let us convert some of the land into arable land; let us grow corn here; and let us save annually this enormous sum instead of handing it over to Freetown."

"But how are we to do it?" asked Bill Blunder. "Are we to make a law that nobody shall buy bread or corn from Freetown?"

"And then," said Daniel Dunder, "we must draw lots as to who is to give up his garden to grow corn in."

"All this," said the Mayor, "is unnecessary, and it would seem like interfering with the liberty of the subject. A much simpler plan suggests itself to me. Let us establish on the road to Freetown a toll-bar, and when any one wants to bring corn or flour or bread across to the town, make him pay one farthing a loaf for bread, and the same amount proportionately for flour and corn."

"Well, then, he'll have to raise his prices when he sells it, or it won't pay him to bring it here," said Daniel Dunder.

"Exactly so," replied the Mayor; "and this will have the effect we want. If the price of corn were a little higher it would pay some of us to grow corn instead of vegetables. Now I calculate that if bread was even a little less than one farthing a loaf dearer than it is now, we might grow all the corn that is wanted in the village and make a profit on it. So I put the price at one farthing, and that will quite shut out Freetown."

"But then," suggested Samuel Sense, "you are taxing everybody who buys bread one farthing a loaf."

"A farthing a loaf makes no difference to any one," said the Mayor, "because each man buys so

little; but all the farthings together will make enough difference to the people who grow corn, you'll see. It will make all the difference between its *paying* for them to grow corn and not paying; between our keeping that £300 a year and Freetown getting it. Nobody will ever miss it."

"But even if it's only a little difference to them," said Samuel Sense, "it isn't quite fair to tax everybody for the good of two or three men."

"They aren't taxed, I tell you," said the Mayor, getting quite angry. "They'll get it all back again. If the farmers are able to make a good profit they'll spend it in giving employment in the village. So it will all come back to them—the £300 will be spent in the village instead of outside."

Samuel Sense opened his mouth to speak again, but he was shouted down.

"What's going to be done with all the toll-money?" inquired Daniel Dunder.

"First," said the Mayor, "we shall have to pay off the expense of putting up the toll-bar. Then also the expense of paying the wages of the man who keeps it; and lastly, as we shall soon exclude by this means almost all the corn from Freetown, there will presently not be any revenue from it."

So this motion was agreed to, with only one dissentient voice, that of Samuel Sense.

But this was only the first step. The town of Tarifton heard what Sillysia had been doing, and thought it could not do better than follow the example of so distinguished a man as Moses Muddlehead; so they put up a toll-bar in Tarifton, on the road which led to Sillysia, and there they exacted so heavy a tax on all the vegetables which came in that it was no use to the Sillyisian

gardeners to send any more vegetables to Tarifton, so they had to sell them in Sillysia and Freetown instead; and in order to get a market for them had to sell them at a rather lower price—not much lower; for now they had turned some land into corn land, they had not grown so many vegetables.

Now the first consequence of this was that, as they did not get so good a price for their vegetables, they could not buy as much either from Tarifton or Freetown. But there was an effect which Moses Muddlehead considered far more serious, and you shall hear how he proposed to meet it.

"You will remember," he said to his aldermen, "that up to the present time we have bought £400 worth of goods yearly from Tarifton, and Tarifton, I find, has bought about £400 worth of produce from us. Now, however, since they no longer buy our vegetables, they are only buying £200 worth of goods from us; while, although our purchases of them have fallen off a bit, we still get £350 worth from them. So we are losing every year £150 to Tarifton, and are rapidly going to ruin. We must prevent this. We must put up *another* toll-bar on the road to Tarifton, and put a duty on the cloth that comes in to the town. We buy about £150 worth of cloth per annum, and we will put a duty on it heavy enough to stop all that, and to make it profitable for some of our people to begin making cloth. Of course every one will have to pay a good deal dearer for cloth; but it's the only way to save the country from ruin."

Well, as may be imagined, Tarifton didn't very much care about this action on the part of the Sillysiens. So to revenge themselves they put a duty on everything else which came from Sillysia, and

the Sillysians in return again put a duty on everything that came from Tarifton. So all communication between Tarifton and Sillysia was stopped.

But neither of these villages found the plan altogether successful.

For instance, Sillysia had been particularly well adapted for market-gardening. Some of these gardens had now been turned into corn land to "save" the £300 a year which had gone to Freetown; some had been built over with small factories to produce those things which they used to get from Tarifton. Now the market-gardens had given 5 per cent. interest first of all; but the corn land would only have given 2 per cent. at the original prices of corn and meal. The price had been raised, however, as it would not have been profitable for any one to change from market-gardening to corn-growing, and the extra 3 per cent. which was required to induce them to change was paid by all those in Sillysia who bought corn at the higher price.

Then for the factories. They hadn't got such good water-power in Sillysia as in Freetown, so that made manufacturing more expensive; then with the interest on capital spent in building the factories, the new manufacturers couldn't have got 1 per cent. clear interest on their capital at the old prices. This ordinary rate of interest necessary in order to make their new industry even as profitable as their old, *had to be paid by all those who bought manufactured articles in Sillysia.*

To put it another way round: everybody who bought bread and corn in Sillysia got 3 per cent. less than they would otherwise have done, every one who bought manufactured goods got 4 per cent. less than they would otherwise have done.

But did interest really keep up to 5 per cent.? By no means. The labourers cried out for more wages, for as all the necessities of life were more expensive their wages would not go so far as before; wages were raised, interest was lowered.

And the same sort of thing had happened in Tarifton. Every one was paying more for vegetable and poultry produce in order to induce their manufacturers to make *the same profit as they had before been making* by market-gardening and poultry-feeding. Add to this, that both these towns were paying the officials who sat at the toll-bar, and the custom-officers who prevented goods being smuggled into the town.

And meantime what was happening in Freetown?

Freetown could not sell its corn in Sillysia, of course, any longer; but it could sell in Tarifton, which levied no duty on corn. It could, however, *buy* what it wanted from Sillysia, and this was about £600 worth of goods.

Before the new notions had come in, Sillysia had bought £300 worth of corn, and about the same amount of meat, milk, butter, &c., while Freetown had bought £600 worth of fruit, vegetables, chickens, eggs, and various other articles from Sillysia.

Thus the sums due from Freetown and Sillysia to one another had been fairly equal, taking one year with another.

Now, however, it was plain that whereas Freetown was buying £600 worth from Sillysia, Sillysia only bought £300 worth from Freetown; Freetown every year had a debt of £300 *to be paid in money.*

The Freetownians, however, in spite of this made no attempt to stop the Sillysian wares from coming

in to the market. They went on buying them still at the low price, getting their poultry and garden produce from Sillysia 3 and 4 per cent. cheaper *than Tarifton could produce it for itself*; getting their manufactures from Tarifton 3 or 4 per cent. *cheaper than they could be got in Sillysia*. Tarifton got manufactures cheap; Sillysia got garden produce cheap; *Freetown got both cheap*.

But how about the debt for £300 annually? And what about the corn that Freetown could not sell to Sillysia?

Well, the Freetown farmers had some of them to give up corn-growing, and take to cattle instead. They got rather lower profits this way, and they had to bear it, *for the population was not taxed to make up the amount*; but wages were low, for the farmers were poor.

Moreover, prices began to get higher in Sillysia, where £300 was annually paid in, and hardly any money paid out, and prices began to get lower in Freetown, which paid £300 a year more than it received.

So people began to say that Sillysia would get nearly all the money, and Freetown would have next to none.

Now, even if this had been the case, would *Freetown have suffered in substantial things as much as Sillysia*? It would doubtless have had a depression of trade while prices *were going down*, as we have seen; but when once they had got to their lowest level, what harm? Freetown would have less *representative money*, but would not be stinted in the *things represented*. Garden-produce cheaper than ever; manufactures cheaper than ever—for Freetown was now the *only* market both for Sillysia

and Tarifton—corn and all the home produce as cheap as ever. The people who would suffer would be the farmers, who would have to turn to some other occupation, for there would no longer be the market for their goods in Sillysia, and they would have to produce something that they could sell at home. During this change they and the men they employed would lose much, and even after the change the new industry might not be so profitable as the old.

But, as a matter of fact, this supposed drain of money would not happen to any great extent. For when the level of prices became much higher in Sillysia it became a good place to sell in, a bad place to buy in. And from the other side, the diminishing prices in Freetown made it more and more profitable for the Sillysians to buy in Freetown, until it actually became profitable to sell corn in Sillysia again, for the high prices paid duty, and all the money flowed back into Freetown. Thus "*the territorial distribution of money took place through the agency of price*." And at this point Samuel Sense, the town clerk of Sillysia, persuaded the Mayor to let a meeting be summoned, and proceeded to address them.

"What, after all," he said, "have we done for ourselves in Sillysia? In the first place, whereas gardening was the most profitable employment in Sillysia, we have enticed some of our men to transfer their capital and labour from market-gardening, which was naturally profitable, to corn-growing and manufacturing, which was naturally much less profitable. We have induced them to do this by giving them extra profits, which all buyers have had to pay in the form of high prices.

"Even these high profits they cannot keep—part of them they have had to give up to their labourers, because they have made the necessities of life so dear that men cannot live on the old wages.

"The Mayor tells you that those who have paid it get it all back again because it gives employment in the town, and that therefore it does not make those who pay any poorer. If that is true, you might as well give up all your incomes, and get it back again in this way. It is plain enough that so you would have to do work *twice over* for the same sum of money—once for the money which you pay in taxes, and again when the money taken from you 'gives you employment.'

"But it *does* make you poorer. In former times you paid for your corn and manufactures with your garden-produce. All your capital was engaged in poultry and gardens, and all gave you 5 per cent. produce; and you bought your manufactures at lower prices. Now you get less profit, and your corn and manufactures are dearer; you get less of them for the same money as before.

"But then you say, 'At any rate, even if we were wrong to try to shut out corn from Freetown, we were right to shut out manufactures from Tarifton, because Tarifton had shut out our garden-produce. We should have been getting into debt if we had been going on buying when we were not allowed to sell. If we can't have *Free Trade*, let us at any rate have *Fair Trade*.'

"Why, after all, would it have mattered if you had got into *money* debt? You were ready enough to pay with *goods*. Sooner or later your money would have come back to buy your goods.

"What use was it to you that Freetown has been paying you *money* all this time as long as you did not *use* the money? Money is no good in itself as long as it is not used, and as soon as you began to use the money, you began to buy again from Freetown the goods which it was your object to shut out. Look at us now! We have been getting no better profits than before; we have been buying most of our goods at a greater price. We have had to put up a toll-bar, and pay wages to the toll-keeper and the police who prevent goods coming any other way to the town. We saved up a store of money which we have had to begin to spend again.

"Freetown, on the contrary, had a blow to trade for a short time, had to change some of her industries—but so had we. Her employers suffered from low prices, and labourers from slack trade, but all the consumers gained; all things that we supply Freetown, and all things she buys from Tarifton, were no dearer than before; even cheaper. She had a debt to pay every year, you say. She had a balance in money to pay, it is true; but all such balances have to be paid finally in goods. Freetown was always willing to liquidate this debt in goods; and though we resisted for a long time, we have come to it at last. Indeed our money would have been no good to us if we had not. Freetown has had no expense of toll-bars and police. Should we not have been wiser to have followed Freetown's policy?"

And as Samuel Sense ended his speech there was a great acclamation, and as it happened to be the 9th of November, they instantly held an election, and Samuel Sense was made Mayor, and Moses Muddlehead retired into private life.

### XIII.

#### FREEDOM IN PRINCIPLE.

So much for Moses Muddlehead; but the Muddleheadians are not such a small following as one might expect.

The principle which Moses Muddlehead disregarded is a simple, one might almost say a self-evident, principle. I should state it thus—"It is most economical to buy in the cheapest market." But self-evident as it might appear, this is a principle which is disregarded by all Fair-Traders and Protectionists. There is very little difference in principle between the Protectionist and the Fair-Trader. Their difference is rather a difference of attitude—the Fair Trader's attitude is defensive rather than aggressive.

The Protectionist says—"I shall put a duty on your commodities to prevent them coming into my country."

The Fair-Trader replies—"If you put a duty on my goods, I shall put a duty on yours. If you won't buy from me, I will not buy from you."

The mistake of both is that they neglect the principle of *buying in the cheapest market*, and

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imagine *that buying is something different from selling*. It is rather difficult to grasp these two points clearly in the abstract. Let us imagine a conversation between a Free-Trader and a Fair-Trader.

*Fair-Trader*.—"It is all very well to talk about buying in the cheapest market; but how much good does it do you *to be able to buy* cheaply, if you have *no money to buy with*?"

*Free-Trader*.—"You object to the principle of buying in the cheapest market, because you say it sometimes implies that you end in not buying at all. For example, that our 'one-sided free-trade' gives us a cheap market to buy corn in, in America; but if this ruins the English farmers, this cheapness leads to the impossibility of buying from any market?"

*Fair-Trader*.—"Quite so."

*Free-Trader*.—"And yet buying is the same as selling."

*Fair-Trader*.—"I utterly deny it."

*Free-Trader*.—"If you buy, you give something in exchange for what you buy. In a country where money is used, you give money in exchange for what you buy; but even in a country where money was not used, buying and selling could go on; only the buyer would give goods instead of money for his purchases."

*Fair-Trader*.—"True."

*Free-Trader*.—"Suppose, then, that you and I are people living in such a country, and I want to buy boots from you, I must offer in exchange something that you want. Suppose we agree on two hats as the price of the boots. Tell me, then, does it really make any difference whether you call me a buyer or a seller? If I am buying the boots I am selling

the hats; you are buying the hats and selling the boots."

*Fair-Trader.*—"I suppose that's true."

*Free-Trader.*—"Very well. Now if the price of a pair of boots is reduced, and you have to take one hat for a pair of boots, I may be said to be buying the boots more cheaply."

*Fair-Trader.*—"Certainly."

*Free-Trader.*—"Or, quite as correctly, I may be said to be selling the hat more dearly?"

*Fair-Trader.*—"I suppose so."

*Free-Trader.*—"So that, in general, buying in the cheapest market is equivalent to selling in the dearest."

*Fair-Trader.*—"I suppose so."

*Free-Trader.*—"But is a nation ever ruined by selling in the dearest market?"

*Fair-Trader.*—"No, of course not. You have the best of the argument as you have put it; but after all that is only *abstract*. Let us come to *facts*, and let me put the case. England buys corn from America; it can buy corn from America more cheaply than it can produce it at home. Now, according to your argument, as we are buying corn from America, we must be selling something to America. Very well. What we should *naturally* sell to America would be manufactured goods—cotton and woollen stuffs, all sorts of clothing stuffs, and manufactured iron. These manufacturers would be the people who would *naturally* be selling in the dearest market, as they would *naturally* produce the things with which America was paid. Isn't that so?"

*Free-Trader.*—"Yes, certainly."

*Fair-Trader.*—"But now come to the point. If

this happened, I shouldn't have a word to say against it; but these are just the things that America *will not* buy from us. These are the things on which America puts a duty, so that they may not enter the country. In short, America is very willing that we should buy in her market, but *prevents us from selling there*. She denies us the advantages of 'selling in the dearest market,' or indeed of selling at all."

*Free-Trader.*—"Do I understand you that we are not selling *at all* to America?"

*Fair-Trader.*—"Yes; we are not selling to any appreciable degree."

*Free-Trader.*—"You mean we are receiving great quantities of goods from America, and giving none of our own goods in exchange—none to speak of?"

*Fair-Trader.*—"Yes; none to speak of."

*Free-Trader.*—"And shall we go on with this process?"

*Fair-Trader.*—"Yes; I suppose so until we are quite ruined."

*Free-Trader.*—"If I were to go on sending you great quantities of my possessions, and you were to send me nothing to speak of in exchange, would it be you who would get gradually ruined or I?"

*Fair-Trader.*—"You, I suppose."

*Free-Trader.*—"But if America sends quantities of goods to England, and England sends nothing appreciable in return, it would be America and not England that would be ruined. Let us put it clearly—We are either buying from America or not buying—if we are buying, we must be sending something in exchange; if we are not buying, America is making us annually a large present

—a generous act, no doubt, but one more likely to ruin America itself than England. Suppose such a case in private life—My greatest enemy conceives a new scheme to ruin me. He sets up a shop, and entreats my custom. I come and take away large quantities of goods, but when I offer to pay he entirely refuses it. I go down on my knees, and say I am a ruined man if he does not take it. ‘You needn’t think I am going to take anything from you,’ he exclaims in triumph; ‘I intend to make you bankrupt, and I shall do it by selling largely to you, and refusing to take anything at all in exchange.’”

*Fair-Trader.*—“Stop that nonsense. Of course, if you are going to press it like that, I don’t mean that England pays *nothing*—it pays America with money. Every year we pay a large balance of money to America, and this is what is ruining us. Take your own instance. If you had a shop from which your enemy would not buy, while you made large purchases from him, would you not ultimately be ruined?”

*Free-Trader.*—“I have two answers to this, and either by itself is sufficient. First, money is not a native commodity in England. It must—must it not?—be imported from abroad.”

*Fair-Trader.*—“True.”

*Free-Trader.*—“Then to get money from abroad, from whatever country, we must buy it with other *commodities*—that is, with commodities we produce at home. In short, money is only one commodity among others, when we come to a question of trade between countries. Taking our trade *all round*, we cannot *go on* buying more than we sell.”

*Fair-Trader.*—“I suppose that’s true.”

*Free-Trader.*—“But I am not going to spare you my second answer. Consider England and America as isolated in the commercial world. If we were continually exporting money prices would rise in America, and fall in England; America would be a bad country to buy in, and a good country to sell in. The reverse would be the case in England. Therefore more would be bought proportionately by America, and less sold. Money would flow back from America to England. As we have seen before, prices tend to a general level in countries which are trading with one another. Or to put it another way: If prices sank very much in England, and rose in America, corn, among other things, would get cheaper in England, and dearer in America; more would be required from England, and less from America; at the same time manufactured goods would fetch such a good price in America, with its plentiful supply of money, as to pay duty and all. Do you not see that in all this money makes no mysterious difference to the transaction?”

*Fair-Trader.*—“Very well; but now I will ask you to explain a few facts, and see if you can defend yourself any better. Can you deny that the importation of corn from America is bad for these who produce corn in England?”

*Free-Trader.*—“No; nor do I wish to.”

*Fair-Trader.*—“And that, having less profits themselves, they can afford to give less employment to other people?”

*Free-Trader.*—“No.”

*Fair-Trader.*—“Then I say what a mockery it is to tell the working-man that Free-Trade will give him his loaf cheaper, if it deprives him of the

employment by which he earns wages at all! How do you answer that?"

*Free-Trader*.—"I do not say that there is less employment *given on the whole*; I say there is less employment given by those whose particular occupation is injured by Free Trade. But there is *more* occupation given by those who are making the goods with which the imported commodity is ultimately paid for. Shortly, are you not confusing together the causes which make *capital* go abroad with those which make *particular commodities* go abroad in international trade? I will explain what I mean. Suppose that there is a certain amount of capital in England at the present time, it will go naturally into those channels in which the profits are *relatively* greatest. If, through some contraction of the foreign markets, whether in consequence of a new duty imposed, or from any other cause, these particular occupations get less advantageous, capital will *naturally* flow out of those occupations into others that were before less profitable. For instance, at the present time England has a greater relative advantage in manufactures than in corn. I do not mean by this that the profits actually gained are greater in manufactures than in agriculture, because the general rate of interest is uniform (making account for risk) all over the country; but that less capital can be employed at this general rate of interest on agriculture than in manufactures. There is not so extensive a field over which the general rate of interest can be gained in agriculture as in manufactures."

*Fair-Trader*.—"Here I positively must interrupt your argument for a moment. Of course my whole

position is based on the fact that the profit the farmers are getting is less, because we allow the competition of other countries in our market; and now the profit of the manufacturer is being reduced too, because other countries will not allow us to compete with them."

*Free-Trader*.—"That was the very objection I wanted to draw out. I don't dispute for one moment that certain *trades and occupations* are suffering at this present time, nor that with Free-Trade they will continue to suffer. But what I do say is, that *those engaged in the trade will not, on the whole, and for any considerable length of time, take less than the average profits*, for the simple fact that all but the most favourably situated capitals will gradually be withdrawn from the trade. The final result will be, not that employers in this particular branch of industry will make less profits than in other branches, but that there will be less employers in it. Here, in England, *farmers* in the long run will not make less profits, but there will be less farming; only those will be able to compete with America who can farm the most fertile ground."

*Fair-Trader*.—"Then what, according to you, *would* be the result of our establishing a counter protection duty?"

*Free-Trader*.—"Merely, by artificial means to induce capital to leave the more profitable for the less profitable employment. Suppose we put such a duty on corn that it is profitable to grow it on the less fertile lands at home, the profit can be nearly made up by a rise of price at the expense of the consumers. Further, instead of capital being gradually withdrawn from agriculture, and put into such industries as were buying

the cheap corn from abroad, it will be withdrawn from those industries and put into agriculture. I grant you that at the time those *individuals* who had their capitals embarked in agriculture, and could not withdraw it without loss, will have benefited; but *in the long run* no class but the owners of agricultural land will have gained, and the country at large will have lost. Instead of supplying itself cheaply with corn *by purchase*, it supplies itself expensively—wasting its energies on the production of corn, which is naturally at a disadvantage compared with other industries. Let me give you an example. An artist friend of mine is clever with his fingers, and could frame his pictures himself as well or better than the ordinary picture-framers. But would he be acting according to his best advantage if, being jealous of the money he paid to the picture-framer, he insisted on framing his pictures himself? On the contrary, it pays him well to buy the frames if he is doing work a hundred times more valuable meanwhile. I grant you, if his time and his energies were absolutely unlimited, he might frame all his pictures himself; but otherwise he wastes time and energy when he is doing less valuable work. So with England. If capital and labour were absolutely unlimited, it could produce everything it required for itself; but as it is, the question is merely whether the existing labour and capital shall be used in producing things with which corn is purchased, or in producing the corn."

*Fair-Trader*.—"Stop; I have another difficulty. The Protectionist measures of other countries shut us out, do they not, to a great extent, from our most profitable fields of employment? For instance,

the protection against manufactures drives us back to some extent upon our less profitable agriculture. Thus, by lowering interest, it forces us to emigrate some of our capital. What do you say to this?"

*Free-Trader*.—"That without doubt protection of other countries does reduce the profitableness of some of our industries, but that the way to meet it is not by protecting on our side also. This only reduces the profit still more. The advantage of our manufactures—the profit of them, so far as we sell them abroad—consists in *what we sell them for, or what we buy with them*. Protection on our part would mean buying less with them, or selling them more cheaply. So far as the question of *economy* is concerned, protection only means that we make a less profitable use of the resources at our disposal—of the labour and capital existing in the country."

*Fair-Trader*.—"But yet though I follow your arguments as they go, I do not see my way out of this difficulty. I will put it, for convenience, in a concrete case. Much capital now goes out of the country which would remain in if it could get a sure 4 per cent. Suppose now, by protection, the price of corn was raised, more land would be worth cultivating. Without any transference of capital from other occupations, there would be quite sufficient capital to work it by only stopping the drain of some part of that which annually goes abroad. The capital would thus remain in the country, and give employment there. What do you say to this?"

*Free-Trader*.—"I will answer your question by a counter question. Why take all this trouble, and run the risk of a tariff war with our neigh-

hours when we could manage the matter so much more simply? Don't trouble to make corn dearer, but levy a tax on working men to make up a little fund to pay extra interest to the farmers for working unprofitable land."

*Fair-Trader*.—"But that would be unfair."

*Free-Trader*.—"Why more unfair than increasing the price of the necessities of life?"

*Fair-Trader*.—"Besides, if your theory of wages is correct, it would probably not answer. Wages, if the labourers were at all well organized, would rise again to make up for this extra expense of the tax, and would ultimately be paid out of the share of interest."

*Free-Trader*.—"Why should they not rise to make up for the extra expense of the necessities of life? No, we cannot make our industries really more profitable by receiving with our right hand what we pay with our left—(especially if we let some money fall in the process). Some one must pay for this extra interest ultimately. If the workers cannot obtain it from the capitalist by rise of wages, ultimately he may pay for it by inferior work from underpaid men. Nothing which does not increase the total productiveness of capital and labour can permanently keep capital in the country. Protection, on the whole, diminishes this productiveness."

#### XIV.

#### FREEDOM IN PRACTICE.

*FREE-TRADER*.—"So far for the merely economic side of the question. You do allow then that, as far as regards the point of mere ultimate increase of wealth, Free-Trade—even one-sided Free-Trade—is advantageous? To put my argument quite shortly, the question is not as to whether capital shall be employed or not employed, but as to *which way* it shall be employed—whether in directly producing the things we want, or in producing commodities with which to purchase those things. And this holds whether the other country is protecting against us or not. This is the main point of the argument; but, as you say, there are special difficulties also. There are, first, the subordinate economic effects to be considered; and secondly, effects which are not economic at all."

*Fair-Trader*.—"What do you mean by subordinate economic effects?"

*Free-Trader*.—"I mean all those which indirectly follow from adhering to Free-Trade under all circumstances. The *main* economic effect is, that at the time we get the particular commodity we want

cheaper than we could produce it ourselves. This happens in all cases; but there are other less immediate effects. In some cases, for instance, buying a commodity from abroad means the ruin of those people who produced it at home. In such a case we must consider if the gain to the consumer will compensate for the loss of the home producer, and the loss of those who through his failure are for the time out of employment at home. You yourself have mentioned several accidental economic effects like this; will you begin and state them in order now?"

*Fair-Trader*.—"Very well; and I begin them with that effect you mention. Consider the state of the case at the present time. Our farmers are gradually being ruined—the demand for agricultural labour is diminishing. Does the cheaper bread really compensate for this loss?"

*Free-Trader*.—"You are forgetting the argument; there is another gain as well. The great point of my argument was, that the capital which is being withdrawn from agriculture is being put into industries of which the products go to purchase the imported agricultural produce. Add to that, that this agricultural produce is cheaper; and the gain is indisputable."

*Fair-Trader*.—"What do you mean by the agricultural produce being cheaper?"

*Free-Trader*.—"I mean that less labour and capital are used in purchasing it than would be used in producing it at home."

*Fair-Trader*.—"Then you allow that less capital and labour is used, which is what I have been trying to prove all along."

*Free-Trader*.—"I did not say that less *on the*

*whole* was used, but that less *was needed to produce the same amount of corn*. They may be used, and will be used, to produce *more* corn, or more of something else, if something else is wanted more. If on our desert island I find I take less time in producing the hats with which I buy boots from you than in making my own boots, the rest of the time which I formerly used in making boots is not necessarily idle now. I may use it in making a hat for myself as well as for you; or in producing two more hats and buying another pair of boots. I must be better off, not worse, in taking less time and labour to produce the same result. Our object in trade is what *results* from employment, not the employment in itself."

*Fair-Trader*.—"But at the same time there must be some loss; land that had been cultivated going to waste, farm-buildings useless, and farm machinery—all this is lost."

*Free-Trader*.—"Of course it is; but there is no reason to think that *this* loss is in any way comparable to the gain. In this particular case, of course it would be very difficult to estimate the loss; but take another parallel case. The French have granted of late years a bounty on the exportation of sugar, in consequence of which French sugar was able to undersell the sugar from the English refineries in the English market; and at first many of our refineries were ruined. The loss was enormous, because the machines and boilers used for refining are not of any use in other manufactures, and were worth only their value as old iron. This would seem uncompensated loss. Nevertheless the gain to the English as consumers, *in one year*, was greater than the whole loss of the

capital. Add to this the fact that through the cheap sugar an immense impulse was given to all the confectionery trades, and you will see how great the advantage is. Remember here, too, that all the capital in the sugar-refining trade which was not fixed in the instruments of manufacture, could now be used in some other way in producing, as I said before, those commodities with which French sugar is purchased."

*Fair-Trader*.—"But even suppose the consumption of the cheapened article does ultimately make up for the loss of 'plant' and instruments of manufacture, these changes of industry are, to say the least, very expensive; and there might be cases, right there not, in which the change was only temporary? For instance, if the French had only granted a bounty on sugar for the first year it would have been hardly worth while to ruin all the refiners, when the industry could be resumed again after a year. Or again, take this important instance. We are gaining more than we lose, you say, from America at present in the way of corn. But do you not consider that the virgin soil in America is getting rapidly used up?—that already they are beginning to cultivate lands which a few years ago needed only clearing to produce good harvests of corn? The American population itself is growing, and the home demand, as well as the foreign demand, continually increasing. What all this points to, is the fact that at some time it may again be cheaper to produce our corn at home than to buy it. Is it then worth while ruining our farmers, if we shall need them in the future? Why not protect against American corn until it is again profitable to grow our own?"

*Free-Trader*.—"Simply because our gain, as it is, is so immeasurably greater than our loss. Consider the case I gave you of which we can measure gain and loss. One year would have compensated us as a nation—and we have had it for many years. But besides this—even if in one or two instances it would be more profitable to protect—protection once begun is such a dangerous policy. It is the beginning of *class legislation*. If the farmers and landlords were thus protected, would not all classes all over the country be crying out for protection? Would not petitions be sent in on every side? And again, in so many cases to protect *one* industry would be a blow quite unexpectedly to some closely connected industry. For instance, if we were now to protect against 'bounty fed' sugar, we should benefit the refiners not only at the expense of consumers, but at the expense of all the confectionery and jam trades. Even granting that occasionally protection of a home industry against a temporary cheapness of some foreign article would be good, it would be most dangerous to allow protection to be established, considering that there is no case in which we are sure of the length of time during which the cheapness will last; that we do not know the extent to which such protection may injure trades which would be benefited by this cheapness; and that, lastly, protection of one class of manufacturers would cause an outcry from all classes when the fluctuations of trade put them at a disadvantage. Moreover—this is a minor point—but should you not be inclined to call such changes of industry generally a bad effect of *Protection* rather than a bad effect of *Free-Trade*?"

*Fair-Trader*.—"In some cases no doubt, when

the cheapness is induced by a bounty, or where a branch of export trade is put at a disadvantage by other countries protecting against it—but not, for instance, in a case where the cheapness was *natural*, as in corn exported from America. Here it is not the protection of other countries, but the absence of protection for ourselves, which injures us. But let us leave this argument, and go to another point. You acknowledge, I suppose, that a gradual rise of prices is good for trade?"

*Free-Trader*.—"I do."

*Fair-Trader*.—"And yet you acknowledge also that 'one-sided' Free-Trade may lead to a lowering of prices—is that not so?"

*Free-Trader*.—"Not to a *permanent* lowering of prices. I acknowledge that *for a time* it leads to a lowering of prices. That is to say, in the normal state of trade—the average state, that which it arrives at in the long run—the whole of the exports of a country must pay for the whole of her imports. You yourself agreed to that; if the imports for any length of time exceeded the exports, the country would be either receiving a present, or getting into debt, and you rejected either alternative."

*Fair-Trader*.—"But you did acknowledge that we might be paying America in money."

*Free-Trader*.—"That is what I am coming to. If when trade is normal, America protects against our goods, and we do not protect against hers, we may have *for a certain time* to pay the balance in money, which will lead to a rise of prices in America, and a fall in England. But as soon as prices are really at a different level in both countries money *must* flow back again. 'The territorial distribution of money takes place through the agency of price.'"

*Fair-Trader*.—"But even the temporary lowering of prices is an evil."

*Free-Trader*.—"And the temporary rise of prices, succeeding this, a gain. Of course I grant that the fluctuations are on the whole an evil; but I contend that they are the lesser evil, and such as they are, are mainly produced by *protection*, not by the absence of it. If by retaliation we could induce America to leave off protecting, it might be worth while; but two can play at the game of retaliation, and America might retaliate again. Besides, think how extraordinarily difficult it would be to retaliate to exactly the right amount, so as to keep the balance exactly even."

*Fair-Trader*.—"Another point. I am coming now to what I suppose you would call not the purely economic side of the question—here is a *political* difficulty. Have you considered the question of War with respect to Free-Trade?"

*Free-Trader*.—"On that depends one of my chief arguments in favour of it."

*Fair-Trader*.—"One of *your* arguments! I claim it as mine. Supposing we went to war with America, and trade was suspended, we should be starved out."

*Free-Trader*.—"Does not this make it increasingly difficult for us to go to war with America?"

*Fair-Trader*.—"Indeed it does."

*Free-Trader*.—"And would it not be a great blow to the agricultural interests of America, if the market for her corn were thus suddenly limited?"

*Fair-Trader*.—"Of course it would bring almost infinite disaster on both sides."

*Free-Trader*.—"Then this perhaps points to the conclusion that America and England will both do all in their power to avoid war."

*Fair-Trader.*—"Yes."

*Free-Trader.*—"And this is undoubtedly a gain?"

*Fair-Trader.*—"Yes; but if war did come?"

*Free-Trader.*—"I grant that it would be much worse now than in the time when England was self-dependent—before commercial relations were established. But this is the strength and the weakness of all civilization. The entirely self-dependent savage is 'a wolf to his brother.' The self-dependent tribe goes to war on the least occasion with other self-dependent tribes. As interdependence becomes greater, quarrels become less frequent, and are settled more peaceably. If you became 'a wolf to your brother,' you would soon be starved out, being able to provide practically *nothing* for yourself—unless you were put into a lunatic asylum first. Commerce is the great peacemaker between nations, industrial organization between man and man."

*Fair-Trader.*—"But at any rate, though Free-Trade may be a social gain from one point of view, you have said nothing about the social disadvantages. I have a long list of these. Number one: your policy will end, it seems to me, in enormously reducing the number of industries in a country. 'Very well,' you say, 'what matter as long as we get the things we want cheaper?' That is a low, materialistic view. The more elements we have in our national life, the richer is that life. If we were all reduced to agriculturists, we should become stolid, unprogressive. If we were all manufacturers, we should be a money-making, prosaic nation. It is by change of industries that we get different interests, tendencies, ideas in our national life."

*Free-Trader.*—"There is much in what you say, but there would be more if our 'national' life were as much complete in itself, and separated from the life of other nations as you assume; and as would be the case if there were not *international commerce*. But with international commerce comes an exchange of international ideas, interests, and tendencies. You talk as if we had no literature from across the Atlantic or the Channel; as if we had no visitors. You talk, moreover, as if *all* our people would be engaged in trade; as if there were no leisure class; and, moreover, as if the classes who were engaged in trade had no leisure. With increase of wealth will come—so we hope—increase of leisure, *wider* material life, and *wider* national life—a national life which is not excluded from international life."

*Fair-Trader.*—"Still in some degree it remains true that the more varied a nation's industries are, the fuller and wider is the nation's life. A manufacturing town tends to be very much narrowed in its interests; a whole country of manufacturers would be more so; and further, with the influx of the population to towns, the healthy, vigorous agricultural population becomes weakened in body, physically inferior, owing to conditions of overcrowding among which they live. Again, another point: however much commerce may incline us to peace, war is sometimes *necessary*. Now the army is mainly drawn from the agricultural population. With the decline of our agriculture, our military powers, and ultimately our political position, will decline. What answer have you to this?"

*Free-Trader.*—"This answer: the objection is true, and would be cogent, if such social effects as it brings about could not be counteracted by

other causes. For instance, if it were not possible for increased wealth, leisure, and intercourse to widen a nation's interests—and these are also effects of Free-Trade; and the same kind of thing may be said of our military power. In so far as soldiers are necessarily drawn from the agricultural classes, it is because their physique makes them fitter for active service. I grant you the ordinary factory hand *now* would not make so efficient a soldier; but how if increased wealth makes it possible to shorten hours of labour, and give the manufacturing classes better physical training, and better sanitary conditions? All these movements are going on already, and on the whole they are aided by Free-Trade."

*Fair-Trader.*—"But these are not all the disadvantageous effects of Free-Trade. There is, for instance, the following:—You will grant, I suppose, that Free-Trade in corn is bad for the landlords. With the decline of agriculture, rents will decline. The class of landed proprietors will disappear. Do you allow this?"

*Free-Trader.*—"I grant the truth of your objection here, and I grant also that it *is* a real objection. Nevertheless, I could urge these two things. The great benefit of landed proprietors as a class lie in their bringing centres of culture and education into the country, where such would not naturally exist. Now as the agricultural population declines in number such need will be less *widely* felt; and as it grows in *general* education and culture, the need will be less *intensely* felt. And again, in any case would the sacrifice be quite worth the gain if we excluded cheap corn in order to keep the landed proprietor in opulence? Remember too, that with the prosperity of manu-

facturers rich men will still be buying country estates, and coming to live in the country for the sake of sport."

*Fair-Trader.*—"But there is another objection which you have not touched at all. Is it not true that some industries employ more people than others? For instance, agriculture employs more people than pasture farming. Manufactures, I suppose, probably employ more than either. Suppose now, as would follow from your suggestion, that England at present devotes itself to manufactures, and the country becomes proportionately populous. There yet may come a time in which it will be cheaper again to grow our corn at home—and then we shall have the difficulty of a change of industry to one in which only a part of the population can be employed. What is to happen to the rest?"

*Free-Trader.*—"Emigrate. Our surplus population is still wanted in some of the places from which our supplies are drawn. Our aim is not to have as *thick* a population as possible, but a population as prosperous as progressive, with as much well-being, physically, intellectually, and morally, as possible. China is not our ideal of a happy country, though no country is more thickly populated."

*Fair-Trader.*—"One last thing: if this plan were to be followed out entirely; if we were to depend for our corn entirely on foreign countries; if England were to be turned into a vast manufactory; would there be nothing to be regretted in this result? When all the streams of clear water have become yellow and turbid with the refuse from the mills; when the country has become black, and the trees dead, with the smoke of the factories,

and a dark cloud hangs overhead—and this is already true of some parts of England; when the lakes are drained to supply manufacturing towns with water; when there is no fresh air or beautiful country to be seen from one end of England to another, and the air is full of the noise of wheels—what good will it do us then to be rich if we have emptied life of all possible healthy sources of enjoyment?"

*Free-Trader*.—"Pardon me, my friend, if I say that in the first place I think that you exaggerate the case. Even if we were to get all our corn from America, and most of our meat from Australia, there would still remain dairy produce, vegetable produce, and poultry, which could not well be supplied to us from abroad. Here some part of your beautiful country must remain to you. Again, remember it is Free-Trade which to some extent has prevented England being turned into such a country as you describe. Cornwall would still be a great mining county if it were not for Australian tin. But finally, it is not Free-Trade merely, but the great race for wealth, that brings about such conditions as you describe—that destroys real sources of enjoyment for the sake of a greater command over material resources. Here Free-Trade must stand on the same ground as many other modern tendencies, and cannot be judged apart from them. If we make up our minds to sacrifice further accumulation of wealth to good and healthy enjoyment, let us do it for the right reason, not on misunderstood economic grounds. Let us say boldly that the enrichment of life is the end, and what we call wealth is merely the means to that end."

## XV.

## "IN THAT STATE OF LIFE."

"To do my duty in that state of life unto which it shall please God to call me."

Is there anything which has been more often misquoted than this?

Socialists have declaimed against the oppressiveness of the Church teaching—have declared that the Church teaches, for its own interests, that every one shall remain in the station in which he was born, and not seek to better his condition; that the rich shall remain rich, the poor shall remain poor, and the destitute, destitute; and they quote indignantly on this point, *not* this passage, but another—"To do my duty in that state of life unto which it *has pleased* God to call me."

I cannot give you chapter and verse for this quotation—it belongs still to unwritten tradition—tradition, too, *not* of the Church, for all the while our wise Catechism goes on saying, "Unto which it *shall* please God to call me"—plainly declaring thereby that it is *not* always God's will that a man should remain in the state of life in which he was born, but that he is also "called"—some men no doubt called to remain in the first state of life; but many of them called to change it.

Indeed how can we tell from merely *finding* ourselves in certain states that we are intended to remain there? On such a principle, if we were ill we should never take medicine; we should remain passive, and never put out a finger to help ourselves, which is the very opposite of all that the Christian religion teaches us.

No; it is from the very *state* itself that we must judge whether it is the state to which God does call men; or if we know that it is not in itself a good state, whether yet any means we may see to improve it are the right means. Sometimes, although the state itself may seem to need improvement, none of the means which lie ready to our hand may seem the right means. What is to be done in such a case? The state of life seems bad; the means of improvement, though leading to a good end, seem in themselves bad also; or if there are any which are good, they seem too slow.

Under such circumstances some people and some nations take the only means that seem effective and quick. Individuals generally repent it; perhaps nations suffer also. Some people and some nations wait, or take the long way. Does not this succeed better?

Take two instances. The poor of France before the French Revolution were in a terrible condition, and terribly oppressed. The taxes were paid by the poor; they had in the country to work for the lord of the estate on which they lived; and this work was not exacted with consideration. If the lord of the estate wanted his corn harvested, the peasant's field might go to ruin while he worked for his master. The end of it was the French Revolution; France filled for many years with bloodshed and crime, and the Reign of Terror; and

in the hundred years since that one Government after another established and overthrown.

It is difficult in such a case to say that the change which was needed might have been otherwise effected, for we cannot try experiments of this sort over and over again in history; but it is worth noticing that in the court of Louis XVI., the last unfortunate king, a desire to improve the condition of the people was already beginning to spring up. Who knows what it might have led to? Anyhow, the violent way brought a violent punishment.

The other case is the abolition of slavery with the spread of Christianity. Was there ever a social revolution accompanied with less violence?

How were the slaves advised?

If they could be free by right and honest means, they were to use them; but while they could not, without the use of means judged to be wrong, obtain their liberty, they were to play their part well in that state from which they were not yet called to depart. Meantime the general principles of Christianity were found to lead against slavery, and gradually and silently, with the spread of Christianity, slavery, in the Old World, ceased to be.

Now I do not mean by this to imply that resort to force is in all cases wrong. We are hardly come to such a condition of wisdom that we can lay down hard and fast rules under all conditions on such a difficult subject as physical resistance of evil. Nevertheless, every man has to judge in what cases, according to his general principles, resistance to force is justified.

There are few of us, I suppose, who could say that the means taken at the French Revolution were right; the wholesale slaughter of aristocrats merely because they were aristocrats. On the

other hand, there are many of us who would say that the war about slavery in America was justifiable. The subject is worth considering, because it begins to come to a practical question in England what means shall be taken to improve the condition of the poorest classes—force or peace.

For somehow it must be improved. It is not fit that people should live as they do now in many parts of England, with insufficient room and unhealthy houses, insufficient food and clothing; life, while it is possible to work, one long strain to keep starvation away; no possibility of laying up for old age, and death in a workhouse.

This is not fit—this is not the state to which men are called; they are called to come out of it. But what is the right means to bring them out, and whether we can try to do it at once, or must wait—all these things need consideration. For we must consider first what brought them into this condition. What was the cause of it?

Some people say, "What does it matter what the cause is? The state is just as bad whatever it comes from. The condition needs improving; we must do *something*."

I should not like to have one of these people as my doctor. If I went to him and said, "I have a pain in my shoulder," he might reply, "Something must certainly be done at once—put a cold water bandage on it." Now this would be obviously foolish before he had inquired what the pain came from. For although if the shoulder happened to be strained it would do it good; if it were rheumatic, on the contrary it would do it harm; if it were dislocated it would leave me writhing in tortures. The plan of doing anything because something must be done is rarely successful.

Perhaps the most striking failure of this method was in the case of the old poor laws in England. By the old poor law, outdoor relief had been given indiscriminately in proportion entirely to the number of a family. To such an extent was this done that independent labour had no chance against pauperized labour. Those who were receiving poor relief could live on less than the average rate of wages—the parish money was so substantial a supplement to wages.

The farmers, who were already paying a most enormous poor-rate, preferred of course to employ labourers who were on the parish, and so already partly provided for. The honest and independent labourer had to choose between accepting this totally insufficient wage, or going upon the parish too. Naturally he chose the latter course, and the whole country was on the way to pauperism. Dorsetshire, in which this system was at its worst, has never recovered to this day.

The something-must-be-done class of reformers would as likely as not have tried to improve the condition of the labourers by fixing "minimum wages," or giving further relief (for taking it all together the labourers got little enough to live on), and thus would have further intensified the evil. But the Poor Law Commissioners took another line—they *imposed the workhouse test*; thus making it more agreeable for the people really to exert themselves and earn their own living, than to rely partly on parish allowance, partly on the little they could earn by the ineffective work they were doing; for the *expense* as well as the *degradation* of pauperism comes from the idleness and helplessness it causes.

This method was not, as you may well believe, popular at first. Sir George Nicholson, the real

originator of the scheme, was not in good odour in his native village when the scheme was set on foot; but years after when he revisited it, the men came round him in the market-place and *thanked him*.

I am going in the following chapters to discuss the various schemes that have been formed for improving the condition of the working classes and raising their wages. I shall divide them into three chief methods. The first method I shall call "By Force." The principle of this is that the working classes say to other classes, "You have got, by law, a claim to wealth which you ought never to have been allowed to acquire. Give it up, or we will take it from you." This wealth is of two chief kinds—1. Land. 2. Capital.

The second method I call "By Right." The working class says to the employing classes, "We are letting you receive part of the produce of our joint labour, which is legally and fairly ours if we unite to lay claim to it."

This is Trades-Unionism.

And half-way between this and the next method lies—

Industrial Partnership.

The third method I call "By Recompense." "What we claim from you, whether in strictest justice yours or ours, is insignificant compared with what we can *add* to ourselves without taking anything from you."

The schemes on this principle—1. Co-operation.

What shall I call the second? I can give it no more definite name than—2. Reform.

"And," they might add, "the material benefit which we shall gain 'By Recompense' is not the greatest part of our gain."

## XVI.

### BY FORCE.

#### THE BORDERS OF THE PHILISTINES

WHERE is the attack on the subject of *land* going to direct itself? What wealth have some classes of the community got hold of which they ought not to have?—and of what kind is this wealth?

It is not that they keep the *actual produce* of the land to themselves; at least if this bread-and-butter which I am going to have for tea is real and no illusion. No; I have no grievance in that way; my grievance is that they make me pay so dearly for it—by exacting *Rent*.

This is the first attack about land. Let us then try to understand clearly the *nature of Rent*.

The following is one popular theory about Rent—

"A class of people, called landlords, have possessed themselves of all the land which is fit for cultivation. Some of them acquired it by purchase, it is true, but the greatest number inherited it from those who had obtained it by violence, or by the favour of kings.

"Anyhow, the people who possess the land now do not themselves cultivate it, but choose to exact

a payment called Rent for the use of it; which, of course, they are legally entitled to do, though not according to the real principle of equity and justice, since it was wrongfully acquired. In order to pay this rent, the farmer has to exact a higher price for his produce; thus making it more costly to the consumer, so that the whole country has to pay in increased prices of food and produce to support the landlords." That is the theory. Now for the answer. I am going to leave the first question, how the land was acquired, for the present, and to keep to the second part—what kind of payment the Rent is. And with regard to that I ask first—

Is there then no limit to the price the landlord will get for the land?

"Of course he can't *demand* more for the land than he can get."

But what determines his getting?

"Competition among farmers for the land."

Will the farmers then go on bidding and bidding for the land as at an auction until all the land has been disposed of?

"Yes, of course it's decided much as at an auction, though no one is so foolish as to suppose that all the farmers are *present*, and know exactly what land is to be disposed of, and what every one else is giving."

But suppose at an auction there was not one auctioneer, but two, and the first auctioneer had got a bid for a nice little mahogany table up to 25s., and was beginning to say "going—going—" would not auctioneer No. 2 instantly say—"Ladies and gentlemen, a mahogany table quite as good as that for £1 4s. 6d"? Of course since there is no *combination* of landlords to keep rents up (this would

be absurd to suppose) there is *competition between landlords* just as much as between *tenants*.

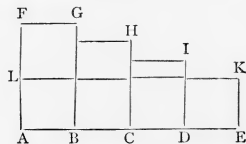
And if you were to say again, "Very well then, the competition between the tenants and the landlords settles the price of land, and the tenants have to raise the price of produce to make up this price," you would only be driven back one step, for you forget that there will be *competition among the farmers* to sell their produce. Don't you see that the whole theory is putting the cart before the horse—and that to get it straight you must begin at the other end?

This is the other end, and it begins with the price of the produce.

Capital is employed in agriculture under circumstances of *varying* advantage. For instance, some land is more fertile than other land, so that a given amount of produce can be raised with less expenditure of capital than on other land. Or of two pieces of land of equal natural fertility, one will be nearer to the market than the other; so that with the same amount of capital the farmer of one piece of ground would spend more money on carrying to market, and would have less to spend on the actual cultivation of the farm than the other. Thus the farmer who was nearest to the market could produce most for his capital. And lastly, and very importantly, after a certain amount of capital has been spent on land, more spent will not give a proportionate return. If the first £100 produced £140 worth of produce, after £500 had been spent, the sixth £100 would not produce £140, but perhaps £130. Nevertheless the farmer will go on applying his capital and labour to the land until it *only just* brings him interest on capital, and enough to pay his labour with.

Yet, notice this: under whatever conditions it is raised, *all the produce fetches the same price in the same market*, and this price must be enough to pay interest on capital and wages *spent in producing that part which was most expensive to grow*. If it did not do so people would leave off producing this part, as it would not pay them; it is only because the consumers *need* the produce enough to *pay for its production* that it is raised at all.

But the man who produces under more favourable conditions does not think it therefore necessary to sell cheaper, if people are willing to pay the higher price he will sell it for. Nor does a man who is farming land of differing fertility find it necessary to say, "This corn came off my best field, and though it is of the same quality as this other, I will sell it you cheaper as it cost me less." No, on the contrary, he says, "If you are willing to pay the price for this which cost me most, you can pay it also for this which cost me less." He sells it all at the same price, and this price must be such as to pay interest on capital and wages for the part which cost him most; if it will do this it is *just* worth his while to produce it, but if it were not so much as this he would not. To make this clearer, look at this plan of it—



I draw a line A E, which I divide into equal

parts—A B, B C, C D, D E. These parts each mean £100 worth of capital applied to the land. And the first will produce perhaps £120 worth of produce; I show that by the oblong lettered A F G B. The next produces £115, the next £110, the next £105; all shown by their different oblongs getting gradually smaller; £105 will only just pay 5% interest, so the farmer applies no more capital. But the other "doses of capital" all pay something more—as much as is shown by all that remains above the line K L; for this will leave oblongs for all the other £100 capital equal to that for the D E part. All these capitals therefore yield a surplus, and the surplus is Rent. But this capital (D E) last applied pays no rent.

This is the Economic Theory of Rent.

Now a good many objections have been urged against this theory. It is said, "No landlord would let land for which no rent is paid;" but, as a matter of fact, generally the land for which no rent is paid is mixed up with better land. A man takes a farm, part of which gives him a good yield, pays wages, interest *and rent*; part pays wages and interest only; yet he goes on cultivating because it is just worth while paying rent for the *whole* farm, from the yield of the *best* pieces. But again, a large supply of our corn comes from Dakota in America, where land costs a halfpenny an acre per annum. Do you call this a rent? Still further, even if there were no *land* that paid no rent, some *capital* could be *rentless capital*; for a man who applies much capital to his land gets from the first applications a surplus, but goes on as long as it will just pay interest and wages. His *rent* is paid from the first applications, but it is this most ex-

pensively produced part, the part which it is finally just worth while to produce, which settles the price in the market. The price must be enough to cover the cost of this, or people will cease producing it. If at any time the price will not be given, less is produced, but the new price must cover the expenses of the most costly part of this smaller amount, and the surplus is not retained by the cultivators because farmers compete with one another for the more fertile lands, offering a higher and higher price, until practically the whole of this surplus has gone to the landlord. He can get this, but not more, or the farm would not be worth working.

Now there are two or three points in this that require special notice.

1. There would be a surplus *anyhow*, whoever got it, farmer or landlord. Not a surplus on *all* lands and *all* capital, but only on some. So that if the farmer got it instead of the landlord, the farmers as a class would be unequally and partially benefited.

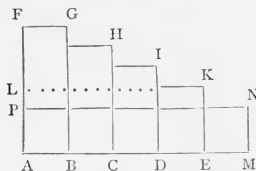
2. The landlord gets this, not in virtue of anything he *does* for the land, but in virtue of *possessing* it.

Of course if he *does* things for the land, puts buildings, drains, &c., he gets payment for this included in rent, which he counts as interest on his capital; but *some* rent he would get anyhow in virtue of the more natural advantages of the land.

3. As the demand for agricultural produce increases, unless it is supplied from abroad, rent increases. For to produce a greater supply, more land has to be resorted to. But as this worse land

is still more expensive to work, the value of agricultural produce increases, as it has to pay for that produced on worse soil.

Go back to our diagram again.



The farmers have had to apply more capital (£100 dose) again, E M, and this has produced an oblong less than all the others. But it must be worth as much as E K was before, £105, or otherwise it would not pay the farmer his 5% of capital. So now E K being more than M N, must be *worth* more than £105, and all the other produce will have been increased in value. So also rent will have increased in value. But rent will increase in another way too; for all above the lower line N P will now be a "surplus" over and above what will pay interest and wages. This will go as rent to the landlord. So D E, which before had no rent-part, will now pay rent, and all the other capitals will pay more rent. The farmer will be none the poorer, because the part which he keeps for himself below N P will be as valuable as the part below K L was before; but the people who suffer are those who have to pay more for their food.

Notice this now. It is from the increased demand for food, which makes them pay more, that

the landlord gets more rent; *not* his increased rent which makes them pay more for food.

But in any case it is true that the increase of demand, without any action on the part of the landlord, will give him more rent.

This increase of rent is called "Unearned Increment." Now we come to the attack.

"It is very unfair," the Land Nationalizers say, "the landlords should get increased rent without earning it, only from the pressure of population. Land, which is the source of all materials for labour, properly belongs to the State, and passed into the hands of private people through conquest and violence. It ought to be reclaimed by the State."

There are two ways of doing this. First, that the State should abolish at a blow private property in land, and become itself the landlord; secondly, that it should gradually raise the taxes on land until they absorbed the whole rent. This is the plan generally recommended, but it would end in the same way, for when the landlords got no rent from the land there would be nothing to attach them to it; they could not live on it, and would relinquish landlordship. *But in neither case would the farmers have their land any cheaper, or the people their bread. Only the rent would be used for public revenue, and taxes would be accordingly lightened.*

Now if the landlords were compensated for this loss, it would not be really worth doing—there would be so little gain to the State. If without compensation, though the gain would be great, the justice would be questionable; but there is also another question to be considered—

*What sort of a landlord would the State make?* In the first place, though the State itself as a whole would have an interest in the good management of

the land, the State officials engaged in the management would have no immediate interest in it.

The landlord has a direct interest in his land at least; he does not leave it to the tenant to get all he can out of the land, and go on to another. It is to his interest to provide that straw shall not be sold off the farm; that old pastures shall not be broken up: to prohibit all things to the interest of the temporary tenant, and to the ultimate deterioration of the farm.

And does not the English landlord do anything more than this? Is it nothing in English country places that there should be at least one family that has constant communication with the outside world, goes up to town and gets news down, and new ideas—to whose interest it is that roads should be made and kept good; that railways and telegraphs should come down to the country; one man who will concern himself, moreover, with the social life of the people; has big ideas and schemes to bring to the county council; who will build the schools, and help to restore the church; and whose own home farm can be a model to his tenants, with good breeds, economical machines, and all the best methods and newest agricultural ideas carried out?

These are some advantages we should lose through the loss of landlords, not to speak of the disadvantage of the extension of Government management, which I shall speak of later.

So far for the *expediency*. Now for the *justice* of the question.

In the first place, is it true that all land was at first wrongfully acquired? Was not much given in return for good service done? What is perhaps a matter of complaint upon this score is, that the owners of land which was granted in

return for service were held bound to feudal service through the possession of it; when the need for feudal service passed away, the land remained still in their possession, subject to a land-tax—and the land-tax was removed by landlords legislating for their own interest.

But are we in the case of all possessions prepared to hunt through all history to establish the claim of the original possessors? For much land has been acquired by its present possessors through purchase, not through inheritance. They have purchased it as an investment of capital, and though some of the increase of rent is very likely unexpected—unearned increment—yet a great deal of it has been allowed for in the purchase of land. Again, investment of capital in land is a risk. "Unearned Increment" occurs, but "undeserved decrement" occurs also. For instance, the abolition of the corn-laws has had great effect in lowering the value of land, as it has assured another source of supply for the English market. In fact, money invested in land is supposed at the present time to yield only 2 per cent. interest—a good deal lower than the usual rate. Is the "unearned increment" to be taken away, and the "undeserved decrement" not compensated for? And in other cases of business, are you prepared to tax unexpected gains without compensating for unexpected losses?

All the objections centre on the same point. Is it fair to touch land as bequest, as investment, as source of unexpected profit, when other bequests, investments, unexpected profits are not taxed? How far it is just and how far expedient to abolish these wherever and however they occur, I shall discuss in the next chapter.

But it must be noticed that land intrinsically is *not* different under present circumstances to all other kinds of wealth. With all things that are limited in amount, a change in demand on the part of others, independently of the action of the possessor, increases the value of them. For instance, if the demand for Raphael's pictures or for old china increases, those who have been prudent enough to buy or fortunate enough to inherit such things, will find the value of their possessions has increased without any effort on their own part. Some people put the plea for nationalization on the ground that all material to labour on comes from land. But as long as this does not make the material *dearer* it does not touch the question; and we have seen that the value of the material produce is regulated by its cost on land that pays no rent. In fact, if land had *not* been private property, probably the material would not have been so cheap as it now is, as land would not have been so well cultivated. Its limitation in extent (in consequence of which, the ownership of one man excludes similar ownership of others) makes no difference as long as what we want is not the land itself, but its produce, and the value of the produce is not enhanced.

It is interesting to notice, that where land is in the hands of a number of small proprietors, as in France, the socialistic attack is made on *capital* instead of land. Yet private ownership is the same in principle, whether the proprietors are many or few.

But though with regard to agricultural land the risks, losses and gains, do not run to greater extremes than in most business transactions,—and at present incline rather to the side of loss,—yet there is one case of proprietorship which needs a

separate treatment. Here the unexpected loss is insignificant, the unexpected gain extreme—that is ownership of building land near towns. The rent here is really determined on the same principle as agricultural rent. It is so high because the situation affords so many advantages of making gain in other ways. For instance, the rent of a warehouse in London is so immense because the situation is one where trade can be carried on with so much profit. Compare the rent of a room again in London for working people—3s. 6d. to 6s. 6d. for one room, as against 2s. to 4s. for a four-roomed house in the country. This is paid for the sake of extra gain that can be made, not only by the man of the family<sup>1</sup> in London, but by the mother and children—for cheaper living, cheap amusements, and all that people prefer in town life (though they may be very much mistaken in preferring it). That this is paid for the extra advantage, is shown by the way that the agricultural population go on crowding up to London and big towns. Now the rise in value of building land in big towns exceeds all that could have been expected or accounted for in the price of the land; and at the same time official (local) management of dwelling-houses might be very much better in many ways than private management.

This is a matter for great consideration. The *increment* is difficult to touch, for it is not at present the *owners* who get it, in many cases, but the middleman who has taken the land on a long lease

<sup>1</sup> Even the casual dock labourer has got his 6d. an hour, though it is not a very constant 6d.; but the experienced agricultural labourer is paid only about 3d. an hour.

and built on it. And as it was a "speculative investment" with him, the extra gain perhaps only compensates him for his risk, and pays his cleverness in investing.

Such investments are made, at any rate, in the regular course of *trade*, and it might be difficult to touch the increment, at any rate, before the leases fall in. Again, it would be a method which requires great consideration to *force* the sale of houses if owners were not willing. This, however, is a matter which has been, and is likely to be, taken up by municipalities.

It is a question which can hardly be left as the gain is so out of all proportion to the ability and self-control necessary to invest or retain investments, or to the work of management. Suppose, for instance, that the town land of some great landowner yields him a rental of a quarter of a million at the beginning of the century; if in consequence of the growth of the town, the activity and enterprise of the people, it has risen to a million annually, in 1880; if it is still rising, and may by the beginning of the next century have trebled again in value; does it not seem just that the people, the State at large, should reap some of the advantage due in so great part to State organization, growth and industry?

Note, however, that here too the point is not to reduce the rent to benefit individual tenants who are making a payment for real advantages received—but to secure to the State the benefit of the unexpected increase in value.

So much for Land by itself; let us now consider the question in its wider bearings.

## XVII.

### BY FORCE.

#### ROBBING THE ROBBERS.

THE subject we come to now is a still more difficult subject. And what makes it so is in the fact that we have not here before us a definite *scheme* to discuss, as in the case of land. We understand how it is intended that Government should possess itself of land, either with or without compensation to the deprived owners. We understand how Government may become landlord, letting out to tenants—this, in fact, has been done before, and is now done in parts of India—how it could have a department for land, corresponding, for instance, to the postal department; how it could receive rent, make advances, &c.; but we cannot obtain a definite *scheme* for Government management of all enterprises. All that, we know, is the final *object*, the general state of society which Socialism desires to produce; and the chief *means* to be taken to produce it, namely, the limitation to Government alone of the power of possessing capital, or wealth used for production. But the *manner* of it is still vague.

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Compare, for instance, the following statements from three different Socialistic writers, whose pamphlets, taken quite at random, I happen to have by me. The first says, concerning the Socialistic change of industry—

"Will it be possible to win peace peaceably? Alas! how can it be? . . . It may be that the best we can hope to see is that struggle getting sharper and bitterer day by day, until it breaks out openly at last into the slaughter of men by *actual warfare*."

The second says—

"Where, then, is the Socialistic hope?—In the *political power* of the workers."

Again, concerning the *scheme* by which the change is to be effected, the first of those writers I have quoted says, "*Co-operation so-called*, that is, *competitive co-operation* for profit, would merely increase the number of small joint-stock capitalists, . . . while it would intensify the severity of labour by its temptations to overwork."

The second says likewise—

"*Trades-Unionism*, as a means of raising wages all round, must be at once dismissed as involving a logical fallacy."

And—

"*Co-operation* is a more seductive means of escape, . . . but a whole generation of experiments has done little more than shown the futility of expecting real help from this quarter."

While a third writer says—

"The already existent *co-operative societies* offer a suggestive model, and the *trades-unions* a sufficiently competent means of change."

Now I do not want to insist upon these different

views as showing the Socialists to be utterly divided among themselves, for it easily might be shown that these views are not absolutely contradictory. But such statements do evidence very great differences of *position* among Socialist leaders, so that we cannot discuss the matter on the basis of a Socialist *programme*. There is no one Socialist *programme*. The three pamphlets I quoted to you are all by well-known writers—two of them distinctively leaders among the Socialists. Yet one looks forward to *bloodshed* as almost a necessary part of the revolution; another hopes for it to be brought about by *political means*; and while both these writers regard trades-unionism and co-operation as belonging to the old *régime*, the third writer considers co-operative societies as “suggestive models,” and trades-unionism a “sufficiently competent means of change.”

The scheme, then, is not sufficiently defined to be matter of controversy. We must confine ourselves to discussing—

1. The general object of Socialism, that is to say, the state of society it seeks to bring about.

2. The change which is invariably judged necessary by Socialists to bring about this state, namely, the abolition of private property in land and the instruments of production, and the transference of these to the *society at large*.

And, notice, it is the *change required*, not the *general object aimed at*, which distinguishes people as Socialists.

For what, after all, is the object? Is it not one in the main which must be the object of every one who has the good of other men at heart? Are not the real ends and objects of the Socialist these—

*To make the worthless life of value*—so that the men whose lives are worthless to others, because they do nothing for their fellows, should, by the very construction of society, be forced or persuaded to do something of use; and that those whose lives are worthless to themselves, because of crushing burden of work and destitution, should be relieved.

*To realize justice on the earth*, by redressing inequalities of opportunity, and demanding from every man who receives, that he should also give.

*To realize brotherhood among men*, that there should no longer be indifference from the rich to the poor, nor jealousy from the poor to the rich.

This is the object in the main; in the main, therefore, it is entirely Christian. On this as main end all those who have any care for others must agree. There are other subordinate ends characteristic of the Socialists, or of many of them, believed to be essential to the carrying out of this end, on which they may differ. These we will discuss later, but I will name them here: entire Equality, or Distribution according to Necessity; Abolition of Contract.

But it is chiefly as regards the change in the organization of industry that Socialists distinguish themselves from other philanthropists.

It is *essential*, they say, that the State should possess land and the instruments of production. We will examine their statements on this point.

1st, That Interest is Robbery.

Now one of our best known proverbs tell us that “Exchange is no robbery,” and certainly our usual conception of a thief is one who takes a thing against the will of the possessor without paying for

it. If I were to go to a baker's shop, secretly and at night, and take away two rolls and deposit their full price on the counter, I might be called eccentric, but I should not be called a robber, because the baker is perfectly willing to receive the full price in exchange. Certainly the idea of robbery implies not *merely* taking a thing, but taking it without giving that in exchange which the owner would accept as equivalent.

Now is this the case with interest? Does the owner of capital receive interest without giving anything in exchange?

Certainly not. We saw in Chapter V. that interest is the *price of capital*, and determined according to the same laws as any other price—namely, according to the “final utility” of the supply of it. And, moreover, we saw that the “final utility” means with regard to capital not merely the *pleasure* which the final part of the supply will give to any one, but *the addition which it makes to industry*. For capital has no other utility than aiding industry—that is, increasing its produce.

But then, say the Socialists, “Interest is Usury.” Now this word “usury” is what is called a “question-begging” word—as if I said, “Capital punishment is wrong, because killing is murder.” Murder means putting a person to death, but in a *wrong way*. So usury means “interest under circumstances which make it wrong”—as, for instance, taking advantage of a neighbour's distress, or demanding extortionate terms. Now the idea of usury is drawn from a time when people borrowed money not mainly to be capital, to help them to increase the products of their industry, but to help

them out of an emergency—very often to prevent themselves being sold for slaves. And the person who lent, lent also often out of sums *hoarded*, not out of capital with which he could have increased the produce of his own labour. Therefore there would very often be circumstances in which the lender in lending did not forego a profit which he might otherwise have realized himself; and the borrower did not make any profit by the sum he borrowed, but only saved himself from extreme distress. The lender here in extorting an exorbitant interest, would naturally get a bad name as making money out of the distress of his neighbour. But is the principle the same with us? Let us put a case.

John and James are thrown on a desert island with a fertile soil, and they each save a bag of corn from the wreck. John puts his bag of corn in a cave, and for the time being lives on the bread-fruit with which the island abounds, and on the fish which obligingly impale themselves on the bent pin with which he angles. But James is impatient of this diet—gets two flat stones and grinds his corn, makes it into bread, and eats it. By this time John has prepared a bit of ground for sowing corn, and is proceeding to sprinkle it, when James demands the loan of his seed. The amiable John gives over his bag of corn, and James sows it all on his own ground. Now comes the harvest, and John comes to James to give him compensation for the use of his corn. With a face expressing the most abstract justice James hands over the corn. “There,” he says, “is your bag of corn. I am quit of obligation towards you.” John represents that he might himself have sown the

corn and reaped the increase; why should not then some part of the increase which James has reaped be his, as it was his *act of abstinence* which provided the materials for James to labour with? "However," says James, "it was my labour which did it—labour is the source of all wealth." "But your labour without my abstinence," replied John, "would have only given you bread-fruits and fish." "Be-gone!" cries James, with a righteous indignation; "I have returned you what you lent me; it is the same to you as if you had saved it till now. Do you want both to eat your cake and have it?"

But let us examine further into the plea, "Labour is the source of all wealth."

"We may search the whole world over and find no source of wealth save labour applied to natural objects."

Is capital not "a source of wealth"? Why, then, are Socialists so anxious to get hold of it?

But Socialists will say, "It is a source, no doubt, but not an *ultimate* source, for capital is itself produced by labour." Quite true; but something else is needed to produce capital from labour, and that is "*abstinence*." If the results of labour were consumed as soon as produced there would be no capital, and the produce of labour alone would be infinitely less than it is with the use of capital. The use of capital *does* increase production, and the Socialists know it, for this is the whole reason of their demanding that the State should possess all the capital. Is not this "abstinence," which, after all, is more difficult to many people than a great amount of labour, to be compensated for? Yet still the capitalist is represented as depriving labour of a part of that which it has produced.

Now supposing that working without machinery a man could make four thousand pins in a day, and that working a machine he can turn out one hundred times as much; if the capitalist who possesses the machine takes four-fifths of those pins as his share, can he be said to be "depriving the man of the produce of his labour"? Of course, if the man was working the machine all the time, the pins were in one sense the produce of his labour; but he could only have produced one-hundredth part of the number without the *abstinence* of the capitalist.

"But," it is said, "if the capitalist is *managing* his capital he deserves some wages for this; but if it is 'idle capital' (merely lent *out* at interest) all that goes to him is 'lessening the share of the produce of labour that goes to labour.'"

Again, let us take the case of two men. A and B each possess, when their necessities of life are provided for, over and above this, £600. Some fishermen come to A and says, "We can only at present do a small amount of fishing along this coast; if we had a seine-net we could more than double the fish we catch. Will you lend us £600? We will not only restore to you your £600 at the end of two or three years, but while we keep it we will pay you interest." A replies, "No, I am going to enjoy myself with my money," and he spends it in wine, in theatres, and in various kinds of amusements. The fishermen proceed to B with the same question, and B lends it. They catch twice as many fish, pay B a part of the extra produce as interest, and pay off a hundred pounds. B asks, "Can you not return me my money now, and let me enjoy it." They reply, "If you will give it us for a few years longer we will repay you in the

same way." At the end of the six years B is paid off, and has had the interest to reward him for his continued abstinence; the fishermen have had an increased produce all these years, and have still the seinc-net. Now has B "enslaved" the fishermen, as the Socialists say, and "lessened the share of the produce of labour that goes to labour?" If so, how can A's action be described? He has not exacted anything from the fishermen, yet B has really benefited them, and A has not. Is it not clear that B has only taken *a portion of the increase of produce that accrued to the fishermen through his action?*

But suppose the Socialist to say, "Allowing that A and B *have* the capital, B does more good by lending even on terms of interest than by withholding; but the harm is in their appropriation of the capital, to begin with; and in the present state of things the workpeople are 'shut out from the instruments of production' by the capitalist."

Before we accept this term "shut out," we must inquire how the capitalist came to have the capital, and the worker not to have it. If one child saves its cake while another eats it, I should not consider the first child as "shutting out" the second from cake because, subsequently to the eating, the first child still possessed a slice, and the second did not. In our first example, even if John did *not* give James the corn, I should not consider him as "shutting out" James from corn.

Seeing that "instruments of production" are not a limited quantity, the *possession by capitalists of instruments of production would not in itself hinder other people from acquiring them too.* With land of course (of which this is also said) it is true that

the possession by one person of land *does* exclude others from the possession, as land is not unlimited in extent. But even here it is probable, as we said before, that the appropriation of land has really *lessened* rather than increased the cost of the produce.

But, on the whole, has the advance of civilization, with the appropriation of land and the concentration of capital in the hands of a few people, made it really more difficult for the poor to live? Here is the picture put before us in a Socialist pamphlet—"Put a naked man on a fertile soil in a decent climate, and he will subsist: he will live on fruit and berries, while with his hands he fashions some rough tool, and with the help thereof makes him a better one. Out of the raw material he will form an instrument of production with those original instruments of production given him by nature, his fingers, and the muscles of his body. Then with his instrument, and the raw material at his feet, he will labour and win his livelihood" (but of course justice demands that all these instruments should be instantly taken away from him, as he is excluding other people from the use of them). "But in our complete society this opening is not before him; the raw material is enclosed, and trespassers are prosecuted. If he picks fruit for food he is a thief; if he breaks off a bough to make a rough tool he is arrested. He cannot get an instrument of production, and if he could he would have nothing to use it on; he has nothing but his labour-force, and he must either sell it to some one who wants it or die."

Now this is a point which cannot be proved by statistics. Judge you, then. Is not the man better

off on the whole (I won't take extremest cases of misery) by selling his "labour-force"? Does he not get more goods for it in exchange than he would by employing it for himself? Put the question to a test. Offer thirty of the poorest class of work-people, or offer thirty tramps (who, by the way, are not even selling their labour-force, but are nevertheless obtaining their living), to put them on a fertile island in a decent climate with their families; without clothes, without food, without houses, without tools, and with no means of borrowing them; but with free leave to use "the raw material at their feet," and the "original instruments of production given them by nature—their hands and the muscles of their bodies," and see if they will accept your offer with tears of gratitude. I doubt it.

What now must we go on to inquire into? These, I think, are the questions that present themselves—

First, seeing that the possession by capitalists of instruments of production does not hinder but help other people to obtain them also, by increasing the produce of their labour, did the capitalists yet *acquire* them in such a way that *justice* demands they should be deprived of them?

And, secondly, what would the probable result be of making the change that the Socialists require, both as regards the amount of wealth that each one would have, and as regards the amount of enjoyment that he would be able to get out of it?

These we will take in the next chapter.

## XVIII.

### BY FORCE.

#### TO WHAT END?

HITHERTO we have been considering the justice of interest merely from the point of view of the *direct action* of the capitalist, and we find that he is at the same time *conferring a benefit* and *making a certain sacrifice*.

But now let us go on to this further question. The Socialist would say, "In the abstract the man is making a sacrifice, but it does not practically come home *as a sacrifice to him*. If a man is really very rich, it is practically no sacrifice to him not to consume at once the whole of his possessions. He does not even make a conscious act of abstinence. He inherits in most cases money that was not the result of his own labours, but his father's. Once for all he lends it, and he receives in consequence his own money *many times over* in the form of interest, and then he can withdraw the original sum *also* whenever it pleases him."

Now this objection touches one or two different points; one we have already dealt with. The fact that so much interest can be paid in course of time

on capital as to exceed the original sum lent, is no real difficulty, as all this time the capital is making *an addition* to the produce of the labour that it aids. And the man who lends it does not make the "act of abstinence" once for all when he lends it, but he is continually making it. He could withdraw it at any moment. While he does not withdraw it he "abstains" from its consumption, and while he does not withdraw it, it gives some increase of produce to those who have borrowed it over and above the interest that he himself gets.

This is the first point, and this short answer is enough here, as we have already gone into it. But the second argument is different—"It is not just for him to have it, as it was not he himself who produced and saved it in the first place; shortly, it is not right for him to have it, as it was bequeathed to him."

Now there is without doubt some force in this argument. Let us put it another way round.

The possession of capital does give a man a start in life ahead of his neighbours. "To him that hath shall be given" is, to a great extent, the rule in industrial affairs. It is the first steps that are most difficult; and if some other person lifts a man at the beginning of his life over these first steps the running is easy; but those who are not lifted over, often toil and climb all their lives before they get to the place where running can even begin.

Take two men of equal powers, and put them in such a condition of life that they can earn just enough to live upon while they are young. Then suppose the first of these men has a little capital left him, say £100. If he is wise he will put it into a business and not draw upon it. What will be the

result? It will lift him at once into a better way of work; and meanwhile, if he does not touch the capital, it will go on accumulating without any effort on his part. At the end of their lives the first man will have been able to save nothing, and will depend on his children to support him, if they are able to. The other man, through no greater merit of his own, will be well able to live the remainder of his life on the accumulation by interest on his money. And this is comparatively a small amount of difference to start with; and in proportion as the differences at the beginning are greater, so too are the opportunities of increasing them.

And again, if a man can bequeath to his heirs what he likes in this way, he is allowed not only to accumulate to himself and to them a greater and greater claim on the total produce of industry while he is alive, but also to rule the distribution of wealth after his death, and to settle to remote posterity that these heirs yet unborn shall have a better start in life than others. Can we allow that by the investment of money, or the purchase of land, a man shall not only in his lifetime go on receiving money with no further effort than that of "abstaining" from selling out his investment, but that "the dead hand" shall rule for an indefinite time after his death?

This question is no doubt a serious one, but the entire abolition of all powers of bequest would be a very serious cure. For the power of bequest must be judged in itself alone; we must not consider it as complicated with the payment of interest. If interest is a fair and just reward of continued abstinence, bequest of *interest-receiving* capital is not more unjust than any other kind of bequest.

After all, it is only at the desire of the heir that it *continues* to be capital.

But what would the *abolition* of bequest imply? It would imply that it was no use for a man to work hard and save so as to give his children a start in life. They would be exactly in the same position whether he worked or did not work.

"But he would work," say some, "for the benefit of the community at large. The narrow limitation of his energies to the interest of his own family would be done away; instead, he would have wider interest—the interest of the community."

Is the interest of the community such a strong motive with us at present that we can afford to dispense with the narrower interests? A man may perhaps die for his country when need requires, if he has made it his profession; but there are few men whose love for their country would keep them day by day to diligent work and patient saving. It is dangerous to do away with the keenest *natural* bonds, however narrow they may be, until we are sure that the wider interests have sufficient hold. The love of country should grow out of the love of the family; the first should not be abolished to make room for the second.

And if we add to this abolition of bequest the abolition of interest on capital, how little inducement there is for a man to work and save, not merely for his children after his death, but for his own lifetime! It is said, "On the contrary, if a man cannot receive interest on his capital, can merely 'postpone his consumption,' so that he will only have that exact sum for his old age which he has laid by during his working days, there will be all the

more incentive to him to work, all the less temptation for him to leave off working and enter upon an 'idle time' before it is absolutely necessary."

But does not the fact of whether he works or not, depend not so much on *how little he will have if he does not work*, as on *how much he will have if he does*? Hope is a much stronger motive for exertion than fear. A galley-slave never worked so hard for fear of the whip as for the promise of liberty. In proportion as a man is undisciplined, uneducated, he needs a greater incentive to work. The idea that with all his working he cannot acquire enough to give him a comfortable old age, will paralyze all his efforts. A man cannot be much worse off in any case; the fear of a *fall* in his fortune will not affect him much, the idea of a *real* rise will rouse him to exertion.

Then comes naturally the question—"But suppose the whole fund which now goes to the payment of interest on capital is taken to supplement wages, will not wages rise to such an extent that it will be possible for a man to put by enough to keep him in old age without any accession by means of interest?" This leads us to the beginning of our second question—the *result* of such a change in the organization of industry.

In the first place, then, it will be seen that although no interest is paid to *capitalists*, some interest will have to be paid *on capital*. How else will capital increase? And if it does not increase, how will it supply the needs of an increasing population?

The second point is this very increase of population. Under present circumstances there is a slight check on population among the more prudent,

from the fact that they *can* bequeath. People can postpone marriage until they are in a position to bring up their children well, and give them a good start in life. If they have a real hope of being able to do so by waiting, they will wait. But when that hope is taken away from them, when every man is assured of the "right to live," will not much earlier marriages be the rule, and will not the population consequently increase much faster than its present rate? If the Socialist State is—as under most views would be the case—expected to find work for every man, "the right to live" includes not only his own right to live, but the right of all his children to live; and the consequent "right" of every one to bring as large a family as he likes into the world, and expect to have work found for them. Has it been sufficiently considered whether the fastest possible increase of population which would then take place would not more than equal the effect of the addition of rent and interest to wages?—whether, that is to say, the share of the individual, through the difficulty of finding *profitable* work for an increased population, might not be even *less* than before? And if it is so, how does a Socialist State purpose to stop the increase of population? Will it take a lesson from Pharaoh?

These are two of the chief difficulties—(1) Will a Socialist State supply any motive as powerful as those it takes away, to prevent the two evils of idleness, and increase of population by thoughtless marriage?—the two evils, that is, of *pauperism*. Idleness and imprudence are the two tendencies which, as it is, prevent those who have the opportunity from bettering themselves. "There are many who have not this opportunity—the greater

part of our population," some one may say. Yes; but we are all of the same blood. What those do who have opportunity, will probably be done by the rest when opportunity is given them. And one of these tendencies—imprudence, thriftlessness—is peculiarly a failure of the English. For instance, whereas only 21 per cent. of Belgian men marry before the age of twenty-five, 50 per cent. of the English do so. "Will you then," it might be indignantly answered, "deprive of the opportunity of bettering themselves those who have never been tried, to punish the fault of those who have opportunity and failed, and will yet go on in this advantageous position in order to save the rest from like temptations? This is justice indeed!"

Not so. I never said that the lower classes, who had had no opportunity of rising, should *never have it given them*, lest they should exhibit the failing of thriftlessness; but I do say that, seeing idleness is inherent in every man, and thriftlessness peculiarly in the English race, we should take *that way* of giving them "opportunity" which would bring least temptation to these two faults. For we want the way to succeed—not to fail.

But the other difficulties of Socialism. Consider the immense power which would get concentrated in the hands of the State, when the Government had the entire command of all the capital and all the land; the immense danger there would be that the Government should plan out the life of the individual citizen. The Germans may not eat new potatoes before a certain time in the year, nor in some towns play musical instruments with open windows. With such details of an individual's life does an already existing Government concern

itself. And how will it be when all men are not only subjects but *employés* of Government? Does this please the English conception of liberty?

Then it is necessary to consider the possible corruption of public offices—subordinate departments with such an immense amount of money and business passing through their hands. And, moreover, the effect on the industries themselves of putting them in the hands of those not directly interested in their prosperity. Would even the utmost conscientiousness make a man think, out of office hours, about the business he is managing as a personal interest does? And if it is said that the interest of the State, ambition of fame, will take the place of personal interest, it may be true of some men; but is it true of the *average* man?

Again, it is said, "Every man must work, but no one will be overburdened with work." But how can any one be sure that work would ultimately be much lightened until they know at what rate population will increase in consequence of the reorganization of society? With a very large increase of population, after some time the mass of the people might find themselves not much better off than before, and there would be no one living at ease—no one with leisure time.

And again—Every one must work, what in the Socialist State *will be counted as work*.

"From every one according to his abilities; to every one according to his necessities," is a Socialist maxim. There are two great difficulties here. Who is judge of a man's abilities? Who can tell what effort a man is really making? Yet an accurate measure is necessary if we are to reward not according to *results*, which means the value of the

work to the community, but according to the effort, which is unmeasurable to an outsider. Tell an average master in a school, who may be supposed to know his class better than the State employers could know all their *employés*, to mark his pupils not according to the *result* of their work, but according to the *amount of trouble and pains* he thinks they have taken over it. Who will be satisfied with his marking? How, for instance, to take an extreme case, would the effort of genius be appreciated? Genius has been defined by a wise man as "the capacity for taking infinite trouble." And so it is; but the trouble does not appear; and to an ordinary man genius very often looks like the infinite capacity for being idle. The great artist Turner is said to have spent a whole day throwing pebbles into a pond; but when he came home he said he knew how water looked when a pebble was thrown into it; and it needs "capacity for taking infinite trouble" to know how the water looks as Turner knew it, so as to be able to reproduce it. But what would an employer of labour say to this? "Bestir yourself, and don't waste your time; go and paint a picture." He would hardly measure as "effort according to his abilities" the hours and hours of infinite trouble he was taking by the pond. Yet once the picture produced, the employer, paying him *according to results*, would give higher wages for so rare a power, appraising more rightly the infinite effort. And it is not only artists, but musicians, dramatists, poets, authors, discoverers, inventors, who *must* do things which to the world outside seem idle, and in themselves could hardly be counted as work—must launch out on tracks that so far as they know lead to nothing.

These are the makers of the things which make the world beautiful and good to live in, make progress both in outward civilization and in things of the mind possible; and their labour would be brought to nothing under a rule which demanded a visible and measurable effort which could be appreciated and weighed by a Government official. Would not Benjamin Franklin, flying his kite up in the clouds during a thunderstorm, have been told that all men must work if they would live? And where then would have been our electric telegraph, electric light, and all the other inventions which have been, and will be, the outcome of the discovery of electricity? And here comes the second difficulty. "Who can measure a man's necessities?" Does not a higher talent need often smoother conditions of life—more leisure, more ease, than, for instance, mere physical exertion?

"But," it may be argued, "Socialism will really increase and not diminish the possibility of all these things. The first efforts of genius must develop themselves in leisure time, and Socialism will give all *some* leisure. The undiscovered geniuses who are now so crushed and burdened with work that their genius can have no chance, will be able to develop and expand, and the little work that will be necessary will hurt no one."

How can we tell how much work will be necessary? And how do we know what genius will stand? That there are *some* robust geniuses whom no ordinary work will quell—like Robert Burns with his poem on the daisy dug up by the plough he was driving—but how many? And again, there are many geniuses—as Keats, for example—who are never appreciated until their time has passed

by. Yet after ages would have lost much if their work, judged to be useless, had been counted as an insufficient return for the wages of the State, and they had been forced to take to some other occupation which had given no scope for their powers.

These things, and many more, form the excuse for a class which is *leisured*—that is to say, which has money, and so is not obliged to work to any great extent. It is a dangerous occupation levelling *downwards*; is it not better to try first and level *upwards*?—or else we may find that in giving every one ample means of living we have destroyed everything that makes life desirable; in forcing every one to be makers of material things—or at any rate demanding that they should produce measurable results—we have excluded from us the makers of *ideas*, which are the spirit that gives birth to the practical results.

The difficulty of estimating the effort and necessities of genius is, as I said, extreme; but even in ordinary cases is it possible to do so with any tolerable accuracy? And though payment according to results may not quite accurately reward the effort and suffice the necessities, what is the use of revolutionizing our present organization for one so imperfect? All such "Government valuation" will tend to measure only visible effort, and provide for the most ordinary necessities.

After all, is it absolute *equality* that we want? Are men so vain that the better off can only despise or be indifferent to the lower in material means; or those who have less, so jealous that they can only be envious and grudging against those who have more? Is there anything in nature that is beautiful or grand, of which every part is equal to

every other part? What do we call water which is a perfectly dead level?—stagnant. And of living animals, that which has every part equal and alike is low in the scale of creation; and the higher we go the more we find organisms with parts differing from another, having unequal force and various functions, like man; and these “differentiated” organisms are much higher, and stronger, and better able to take care of themselves, and more alive to the world at large than the simpler ones. It is not *equality* we want, but *sympathy* between the parts of our social system; that the different classes should help one another as the limbs and members of a body do; that they should feel for one another; “if one of the members suffer, all the members suffer with it;” that they should perform their functions not for themselves alone but for the whole. And that this may be attained, no doubt many reforms are needed in the direction that the Socialists point out, if not to the extent they demand.

For instance, bequest and private property in land, which lead to amassing great fortunes in few hands, lead also to the *separation* of the very rich in part from the poor; lead to a wealth of neglected opportunities for a few, and no opportunities for others. But without abolishing bequest it would be possible to immensely limit it; without abolishing property in land it might be possible for the State to retain some of the unearned increment.

Again, if contract sometimes ends in a loss of freedom, it is not therefore necessary to abolish all contract, and leave society in the condition of anarchy which would result from the State refusing to enforce a contract freely made.

Again, because there is unfair competition; be-

cause people starting—from no fault of their own—badly, get *crushed* by competition, it is not necessary to abolish competition; for competition, after all, if it is *perfectly free*, unrestrained by ignorance, by prejudice, by inequality at the start, is the only way by which the really *best* work—the work most valuable to the community—can be made apparent. What we must do, is not to do away with competition, but to make it really free and fair, by equalizing *opportunities* as much as possible. If all men start fair, the race will show which is the best runner; but if the judges have their eyes blinded by prejudice; if some men have their legs tied at starting; if they do not know which way to run; it is Fortune, and not Justice, which awards the prize.

## XIX.

### BY RIGHT.

#### A STANDING ARMY.

TRADES - UNIONISM, as distinguished from Socialism, is not a system which has for its object to *change* the present system of industrial organization, but to change the distribution of wealth brought about through this organization, by strengthening one of the members of it. I mean the *Employed Class*. We need to be clear on this point. Trades-Unionism contends for the *Wage-earning class as wage-earning*. It does not necessarily concern itself about the *Landlord Class*, though some Trades-Unionists may do so; it does not declare that *interest* is essentially robbery, though it wars against excessive interest; nor does it try to supersede the function of the *Employers*, and gain their profits for the working classes. It recognizes the present organization, its different members with their different functions—Landlords, Capitalists, Employers, and Employed—and says, "This being the organization, we are determined that the share of the worker *as worker* shall be increased as it ought to be—not by the worker becoming employer

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also, or capitalist, or owner of land, but merely in virtue of that function which he performs now—of working under direction, and with materials and instruments provided by others."

When the interest of the worker is opposed to that of any other of these classes, it is *mainly to the class of the capitalist*. Trades-Unionists, as such, have little to do with the Landlord; he does not employ them, or lend them instruments to work with. His share of the produce of industry is, as we have seen, *merely that which is left*, on more fertile lands and capitals, *after* interest and wages have been paid. Neither have they much to do with Employers *as a class*, although occasionally the dispute may lie between the employer who is receiving exceptional profits for his management, and the wages of his *employés*; but it is more often *dividends*—the amount paid on capital lent and not managed by the owners—that is at stake. For the employing class has no *general rate of profits*. The profit made depends upon the ability of the particular employer, on his methods of production, on the connection that he forms for selling, and his knowledge of when and where to buy. It is the ability of the *individual man* which is rewarded; the economy he effects, and the addition he makes to production over and above that made by indifferently organized businesses goes to him and is rightly his, and this is not what the labour unions are chiefly trying to obtain. But their contention ultimately is mainly with the capitalists—though often the dispute is carried on through the employer—for whether or no the employer has enough ability to make his own profit, interest must be obtained, or capital will

be withdrawn. And the need for the union is this—the workers see plainly enough that one worker contending for higher wages against one capitalist has no chance of success. The capitalist is, as it were, a union in himself. The capital employed in any given industry does not merely mean power of employing *one* labourer, but power of employing many. The power of employing all these isolated labourers is a *united* power, and competing for the aid of labour under one single direction, whereas the labourers without a union are competing for the aid of capital individually. The different portions of capital, each of which seek the co-operation of labour, *are* a union already.

Imagine to yourself, in illustration, a battle-field, where compact bodies of cavalry and infantry are opposed to soldiers scattered and separated. All these soldiers may know what they want to do, all these may be trying to occupy the ground held by the organized regiments, but as long as they are fighting each one by himself they have no chance, even although they have all the same end in view.

Now this illustration is advisedly chosen. Trades-Unionism has been called the "War of Industry." What it needs to do is to *organize* labour to meet *organized* capital. You see at once in detail the disadvantage of disorganized labour. If one workman among many was to go to his employer and demand shorter hours, or higher wages, and threaten to leave off work if he did not obtain them, the employer would naturally reply, "Very well, do"—only he might use more emphatic language—and he would have nothing to do but to select another workman out of the separately competing applicants

for the post. But suppose the whole body of those employed are bound together, and *all* make the same demand, and *all* threaten to suspend work, the case is altered; the capitalist has more difficulty in supplying the place of the whole organized body, and must reconsider the question.

Without labour organization the Socialist plea is true to some extent; that capitalists having the "food supply" can force their own terms.

It is the first object of Trades-Unionism to put the labourers on an equality of position in this way with the capitalists, so that they may not be handicapped by being unable to make their demands effective.

The Trades-Unions have other objects as well—the education of the workmen, and their protection generally; but what is distinctive of them is this attitude, which may be summed up in our proverb, "Union is strength."

So much for what the Trades-Unionists *want to do*. The next important question is as to *how they will do it*. They want to raise the wages and shorten the hours of labour; they want, in fact, to *give labour more*; and what we have to find out then is, "*Who, if any one, will receive less.*" If the share of labour is larger, whose share is smaller?—or is it necessary that the share of any one should be smaller? And if the share of one of the participants in the produce is smaller, will not this participant object, and will his objection have any reactionary effect again on the share of labour? A good many questions—let us see, first, what the Wage-Fund theorists say.

You remember the old formula—"The rate of wages depends on the number of labourers and

the amount of the Wage-Fund. If the number of labourers increase, the rate of wages must decline."

And equally it would follow, if the share of *some* of the labourers is increased, the share of the *others* must be diminished.

If we call the amount of the Wage-Fund ten—ten anything you like—thousands, or hundreds of thousands, or millions of pounds, and if you have five classes of labourers sharing this fund, while their wages are equal each class will get two of these units, two thousands, or hundreds of thousands, or millions—whatever they are. But now suppose the first of these classes, by Trades-Union action, succeeds in doubling its rate of wages—gets four units of the fund—then there will be only six left for the other four classes to divide between them; they will only get one and a half each. Now this conclusion, resting as it does on what we saw (Chapter IV.) was a fallacy, is itself incorrect. We saw that the Wage-Fund is *not* a fixed sum, but depends on the *number and efficiency of labourers*, and on the *amount and efficiency of capital*—depends, that is to say, on the total amount of produce, and the way it is divided between labour and capital according to their relative efficiency. What then? It follows that the increased share may be drawn not necessarily from other wages, though this is *one* possible source, but (2) from a *different division* of produce; (3) from an *increase* of produce.

Let us examine instances of wages being drawn from these three sources.

Here is a good case given of the first in an interesting little book called *Economics of Industry*<sup>1</sup>

"If there were a strike of carpenters for a rise

<sup>1</sup> By A. and M. P. Marshall.

of wages, their rise might come out of the wages of some other class. For the rise in carpenters' wages would raise the price of houses. A rise in the price of houses would lead to fewer houses being wanted—this would give a check to the building trade; and in consequence of this check, there would be less demand on the part of employers for the labour of other classes of workmen—bricklayers, masons—who are employed in the same trade."

This is the *first* possibility, and is one that must be well looked to—that the enriching of those who are stronger should not prove the impoverishment of others less able to protect themselves.

And the next source from which the increase of wages may be drawn presents a possible danger still greater because more widely extended. It may be that *labour will have more* because *capital has less*. If the employer has to pay in any business increased wages for the same hours of work, or the same wages for shorter hours, it may well happen that the capital invested in that industry will get smaller dividends. Sometimes, if the demand for increased wages or shorter hours is not very universal, and if the demand for the commodity produced is very great, the capitalist is able to recoup himself by a rise in price; and in this case the loss will often fall on subordinate trades, and on the wages of those who work in other parts of the whole process, as in the case we examined just now. But if the demand is very universal, if a rise in price would mean a great falling off in demand, the loss will come (at first, at any rate) on capital. What will follow? There are many possibilities.

First, it may happen that in these particular

industries the return to capital is unusually high; in this case a fall in the rate of interest would not cause the withdrawal of any capital. It would be no good withdrawing it, as the owner would get no higher interest elsewhere. He would have to suffer the loss of the unusually high interest, and there is no great hardship in this.

Or again—as civilization goes on, the rate of interest steadily declines. Just as it is not so hard for a grown man to postpone a pleasure as for a child, so it is less difficult for a civilized man than for a savage. The savage and the child live in the present; they are keen about present enjoyment, and their minds have not got the habit of looking forward and anticipating future pleasures and pains—the future is not real to them. The grown man and the civilized man have not only got this intellectual habit of forethought, but—to a greater extent than the child and the savage—the *moral* habit of discipline and control. They can restrain the impulse, which every one has to some degree, that urges them to *immediate enjoyment*. And the consequence of this is, that as civilization goes on men are willing to save—to perform the “act of abstinence” for less and less reward. So capital is accumulated, its final utility keeps falling, and *yet* the accumulation goes on.

So it may be that a general and universal demand for higher wages, or shorter hours, would find capital at a moment of hesitation; at a time, I mean, when interest might be reduced without checking accumulation. If then higher wages or shorter hours were granted, capital would bear a reduction of interest, and there would be no reactionary effect on the wages of labour.

[Notice, in passing, that higher wages and shorter hours are essentially the same to the capitalist; both implying a higher *payment in proportion to time*.]

But suppose that none of these alternatives are realized in fact. Suppose interest is *not* particularly high; suppose capital is *not* prepared for a reduction of interest; suppose the capitalists *cannot* recoup their losses by a rise in price—and this is really almost the most likely case—what happens then?

Simply this; that capital is driven away from that industry, that place, or that country, to seek investment under better conditions; or a check is given even to the accumulation of capital.

There are plenty of cases of this; plenty of cases in which an unreasonable demand on the part of labour dealt a much heavier blow to labour in the end. When, for instance, an unreasonable demand drove the shipbuilding trade away from London, did the men who wanted an advance of wages find themselves better off in having no work at all? And how is it possible to *blame* the capitalists for such action? If they remove their capital and their industry to places where men will work for less, they cannot be called *hard-hearted*, for the readiness of their new hands to work for less wages only implies a greater need for work. Have they harmed those who struck more than they benefited those to whom ultimately they gave work? The benefit would seem to be greater than the loss. And, after all, the capitalists were seeking their own interest, but the Unionists were also seeking theirs—if we are going to have the method of War, we must not complain of the *selfishness* of the enemy's manœuvres.

But there is a third possibility. Suppose the rise of wages or shortening of hours leads to an *increase* in produce? "The ill-paid and ill-fed labourer of the west of England," said Mr. Mundella in 1868, "is dearer at 9s. or 10s. a week than the Nottinghamshire man at 16s." Consult the railway officials, who have charge of that department, about the economy of reducing the feed of those splendid dray-horses they employ, they will laugh at you, and answer *that it would not pay*. The moral of which is, *that the best-paid labour may be often the cheapest*. It was actually found by Sir Thomas Brassey, in some of his engineering work, that English workmen at 5s. a day were cheaper than French workmen at 2s. 6d.

It is very false economy to try to cut down initial expense; and long hours and low wages mean neither much work nor cheap work. With better food, more leisure, more to work for, more to hope for, people work so much better that—within certain limits—to decrease hours and to increase wages may be, from merely a business point of view, profitable. In this case the increased reward of labour may come only partially or not at all from the share of any one else, but solely out of the increased produce, which is itself the effect of their increased reward.

This point then—as touching their *own* interest—capitalists and employers should recognize even in a state of war, just as the workpeople on their part should recognize that they are fighting against their *own* interest when they demand such terms as to decrease the motive to accumulate capital, or induce it to emigrate.

I have spoken of Trades-Unionism as a method

of War, but I do not mean to imply that it is therefore always *active warfare*; it would be more accurate to call it, perhaps, a method of Standing Armies—if one might be allowed the expression.

But occasionally it does come to active warfare. What is a strike but war? And is it sufficiently recognized that it has all the disadvantages of war?—all the waste, all the suffering of those who are in no way responsible—the women and the children. It has also doubtless the *advantages* of warfare, for it is not done merely for the present emergency, but one successful battle determines the conqueror in many disputes. One strike, which shows the power of the workpeople, will enable them many times and in many trades to enforce a demand without striking.

Furthermore, just as when nations strengthen their position actual warfare becomes less necessary, and arbitration and treaties more possible, so as the different Trade Societies develop and become better organized, *actual* strikes become less needed, because the *power* of striking is enough; and arbitration is made possible through organization, which would have been quite impracticable when the workers were separate and independent individuals. On the whole, when we see that the best-organized Trades-Unions strike least; when we compare the isolated acts of violence on the part of the Unions now with the brutality which accompanied their first beginnings—even to the hiring of assassins by the secretary of one Union—one sees that it is possible that organization and recognition of their power may lead to the better establishment of peace.

But there are dangers on every side. First and foremost, the danger of *hasty* action; and this is all the more threatening with the sudden accession, in the last year or two, to the ranks of the Unionists

of that labour which was the most difficult to organize—I mean unskilled labour. This labour is just feeling its power, and is therefore anxious to use it; and the power is the power of *numbers*, not the power of *knowledge*.

For instance, take the springing up of an old fallacy last year in a new form. It was charged in past years against the Unions that they tried to limit the amount of work done, in order to leave more work to be done. And this had become an empty taunt, for the Unions had outgrown it.

When they had once come to see the true theory of wages—that they depended upon the *efficiency* of labour; when they saw that the *demand* for labour depended on its *produce*, it was plain that the *more* work, not the *less* work, they did, the more would be required; that the way to find work for the unemployed was not to *decrease* but to *increase* the produce of the employed—for it was only out of *produce* that the capital to provide materials and instruments and to advance subsistence for labour could be accumulated—this was recognized, and so much of the rules as depended on the old fallacy had been done away. But now again last year (1890), we find in the Trades-Union Congress itself a resolution in favour of the Eight Hours Bill, proposed and actually carried, not on the ground of the gain to working-people and the increased efficiency which would result from it, but mainly on the ground of its *affording employment for the unemployed*. If its effect is to increase efficiency, and thereby to increase produce, there will no doubt result a greater demand for labour; but can anything be more absurd than to think that a greater demand for labour will result from decreasing the out-put,

and therefore the profit of labour? If the capitalists get less result from the labour they employ, the natural consequence will be, not that they will desire to employ more labour, but that if they employ it at all, they will employ it *out of the country*. The amount of work to be done is not a fixed quantity, but depends on the amount of profit realized; and the less the profit is, compared to the expense, the less is both the ability and the inducement to capitalists to employ labour at all.

Hastiness is the first danger—hastiness both in acting *without knowledge of principles*, without knowledge of Economy, and also *without knowledge of facts*; without sufficient knowledge of the real state of profits and industry in the particular trade; without knowledge as to whether a rise in the wages of one kind of labour would mean a fall in wages of another; whether it would mean a blow to trade which would leave the labourers in a worse condition than before. It is, for instance, often urged against the Unions, and with much truth, that they demand a rise in wages when prices go up, but are not so ready for a fall when prices go down.

And the next danger is Tyranny. We hear enough from unionists of the Tyranny of Capitalists; might they not turn their attention also to the Tyranny of Workers? We hear much of the tyranny of the few over the many, but little of the fearful tyranny of the many over the few. How many of those who are complaining of the injustice and hardness of the employer, think of the injustice and hardness of compelling a man by moral force—sometimes by physical force, and often by threats of it—to join a movement in which he does

not believe; to sacrifice the work which supports not only himself but probably a wife and young family, without a hope of improving his position, perhaps not understanding the grounds on which he is striking, and throwing away the fruit of patient work and saving of years?

If a man is willing to take the risk in supporting a principle, well and good; but that he should be compelled to do so by threats is abhorrent to all instinct of justice, to speak of nothing more.

"I came out on principle." This was the answer of so many after an unsuccessful strike in London, where many families, who never before had known bad times, had had a six months' struggle to get employment again. On principle! But we had better know what principle; and we had better not act on a principle that does not take cognizance of facts.

We have hardly finished with Trades-Unionism. We have not discussed all its methods, nor all its objects. We have not discussed the possibilities of its development; but what we have taken are its distinctive points.

*Its object.*—The increased reward, the lightened burden of labour.

*Its method.*—Union and organization—a Standing Army.

*Its dangers.*—Hastiness, impatient action, insufficient knowledge, and tyranny. The rest we may discuss later, and we can sum these points up under the reproach cast at it; a reproach which is also its glory—"Trades-Unionism and Co-operation," say the Socialists, "are worthless for our purpose; they touch only the *Aristocracy of Labour*."

Need they be ashamed of this title? We shall see.

## XX.

## BY RIGHT—AND GIFT.

THE scheme of *Profit Sharing* lies half-way between the method which I have called "by Right" and that "by Recompense." For the share of profits given to the worker does not necessarily come out of a clear *addition* to produce; but, to some extent, out of the profits of the Employer, or the interest on Capital. Often, indeed, the increased efficiency of labour, in consequence of the profit sharing, may compensate the Employer again, as happens also sometimes from the rise of wages through Trades-Union action; but the *first* increase of wages—at any rate the *promise* to increase them—often precedes this increased efficiency of labour, and is a venture of faith on the part of the Employer.

This scheme of profit sharing differs from the rise of wages through Trades-Union action in several points. In the first place, the suggestion generally comes from the part of the employer. He offers to make the men sharers with him in the profits of the business—generally a certain per-

centage of the profits. Far from the suggestion coming from the workers, it has too often happened that the opposition, the suspiciousness of those for whose good it was intended, has rejected the scheme at its first proposal, or broken it up when it was fairly started.

And in the second place, the suggestion has come from some *individual* employer. The rise of wages then in this case does not come out of interest, but out of the *profits of the employer* who starts the scheme, unless, indeed, he is compensated by increased produce, and diminished waste of his workpeople. Whether the employers making this offer are using their own or borrowed capital, the interest on capital is first allowed for, and it is out of the gain made over and above this interest, and the regular wages to labour, that the increased share of labour comes.

It may be said that this increased share is the *right* of labour, that the employer gets more than is due to his own ability alone, that the extra profit is very often given by a mere favourable state of the market which could not have been anticipated, or even that the amount which the employer concedes is fully made up by the increased diligence and increased care of the men; be that as it may, perhaps this share of profits is based ultimately on Right; the men may be generous enough to allow that it is, at any rate, conceded by sympathy, not yielded to force. The employer need not give it if he does not wish to, and he takes the *risk* of losing by the concession. For this reason I have called the chapter by Right—and Gift.

What is interesting about some of these earliest and most well-known schemes of industrial partner-

ships is, that they originated with those employers who themselves had been working-people.

Edmé-Jean Leclaire, born 1809, was the son of a poor village shoemaker, who, at the age of seventeen, knowing no trade at all, went to make his fortune at Paris. He was, at any rate, a good worker, and though his wages began at only £4 a year, besides his lodging and a scanty board, when at the end of his third year he demanded 3s. a day as wages, his master was ready to concede the rise rather than lose him.

But Leclaire's ambition was not a selfish ambition. He married at twenty-two a wife who entered into his schemes, and at twenty-six became a painter and glazier on his own account. And here a good job, at the beginning of his career, fell into his way; but a risky job too. He had only £40 capital, and he undertook to paint and glaze a block of seven houses for £800. A man with less big ideas would have tried to economize as much as possible. Leclaire knew that "high wages are cheap wages." He offered 4s. 2d. a day instead of 3s. 4d., which was the usual rate. The men saw whom they had to work with and caught his spirit, and Leclaire cleared £240 by the job.

And not only the workmen, but the architects knew with whom they had to deal. Leclaire began to be in demand. But, as I said, his ambition was not selfish. Now for his scheme.

The first thing he started was a Benefit Society among the workpeople—*Société de Secours Mutuels*—or Mutual Help Society. This was the body that was to represent the *workmen's interest* in his business. In 1840 he formed his plan for associating the workpeople with himself in the

profits of the business ; and in order to ensure their good-will, to avoid the suspicion with which many such attempts have been met, at the first meeting held to explain the principles of association, Leclaire laid a bag of gold upon the table, and divided it—the workmen's share of the profits—among the men in proportion to their wages, averaging more than £10 a man.

In 1863 the Society was enrolled as a sleeping partner in Leclaire's business, and the distribution of profits was as follows:—5 per cent. interest on invested capital, paid to the capital of the men in the Mutual Help Society, as well as to the other partners—the remaining profits to be halved between Leclaire and his partner on one side, and the workpeople on the other ; and of the 50 per cent. so accruing to the workpeople, 20 per cent. was added to the capital of the Society ; 30 per cent. divided among them individually. Finally, in 1866, Leclaire withdrew from all active management in the business, though not to an idle life. "The working capital was now fixed at £16,000, of which Leclaire contributed £4,000 ; M. Defourneaux" (another partner) "£4,000 ; and the Mutual Aid Society, representing the interest of the workmen, £8,000. The first charge on the whole profits was to be 10 per cent., to form a reserve fund ; next 5 per cent. interest on the subscribed capital, after which 25 per cent. of the remaining profits went to M. Defourneaux as acting manager, and 75 per cent. to the officials and workmen ; 50 per cent. being divided amongst them individually in proportion to their earnings, and 25 per cent. collectively in the shape of a subvention to the Mutual Aid Society. . . . By the new statutes Leclaire

reserved to himself *no share in the profits*, only 5 per cent. interest on his share in the capital."

And yet this Leclaire was a robber—according to the Socialists! Leclaire died in 1872. The day before his death he wrote to his partner, M. Defourneaux—"I beseech you take care of yourself, and think of those who will still long have great need of you. Until sound learning shall have replaced ignorance amongst the masses, until the disinherited shall have strength to raise themselves to us, we must hold out a hand to them. Otherwise the rooted antagonism between the suffering classes and the more fortunate will never cease."

What do you think of Leclaire's solution of our problem? To any one who would like to know more about him, I would recommend *Leclaire—a Lecture*, by W. H. Hall, published by the Central Co-operative Board, Manchester, from which I have quoted.

Another man whose work you should know of was also a Frenchman. Godin was also obliged to leave school through poverty at an early age—at nine.

Read his own account of his Co-operative Buildings, in his *Lecture* (published by the same Board), from which I quote, *The Association of the Familistère at Guise, France*.

"The Society of the Familistère of Guise, a co-operative association of capital and labour, founded by me at Guise . . . at present includes 1400 workmen and *employés*. It possesses two works—one in France, and the other in Belgium. In France it has also dwellings for about 400 families, or 1200 persons—men, women, and children, *employés* and workmen. . . . The Familistère is a

vast palace containing 1100 windows, which will give you some idea of its extent; . . . it is composed of three parallelograms with cellars, a ground-floor, and three stories. The centre part is thrown back, so that with the two wings it forms an outer court 229 feet 8 inches long, and from 263 feet 6 inches to 329 feet deep. . . . In the opposite side of this court, and in front of the centre of the palace, are the buildings of the schools. The buildings forming the offices for different services depending on the palace are in the front of the two wings. Each of the three parallelograms, arranged as I have described, contains an inner glazed court, which allows intercourse to be carried on, throughout the whole extent of the palace, under cover in all weathers. At each story there runs round these courts a gallery or balcony protected by an iron balustrade. These galleries form a communication between all the dwellings in the palace, since each set of rooms opens on a balcony. Each parallelogram has four staircases, one at each corner; so that on each story you can get to the dwelling-rooms with as much freedom as if they opened out of the street. The balcony, indeed, is nothing but a sort of street. It is broad enough to allow of people passing and moving about without inconveniencing each other. The compulsory intercourse, which exists in ordinary houses between neighbours whose abodes open on the landing-place of the same staircase, is not produced at the Familistère."

Further, at the Familistère, "the greatest care is bestowed on the education and instruction of childhood. For this object the Familistère has a complete series of school-rooms and nurseries," so that the children may be kept under the eye of the

parents, and need not be sent away to school. In the nursery the children may be received—if they are in good health—after the first week. The mother can have her baby there for as long or short a time as she likes—"for an hour, or all the day"—sure that it will be taken good care of. About this Godin was very particular; one of his own inventions that delighted him most being a patent cradle. From two to four the children go into a nurse-room with a garden, in which they are out as much as possible in fine weather. Regular teaching in different classes is given to the children from four to fourteen. The children go to school at the same time as the parents go to work. But it is not only the education of the children which is looked after; there is a special library for the inhabitants of the Familistère; nor only their *minds* for which Godin took care—"at one side of the living palace are the bath-houses, swimming-baths, and laundry." There are "store-houses for laying in provisions, and counters for the sale of necessities according to the wants of the population. The greater part of these counters are within the palace itself; so that thus the housewife may make all her purchases, even in bad weather, without wetting her feet. The sales are made for ready money. But though the Association has its special magazines (shops), the respect for individual liberty is so great at the Familistère that no inhabitant is in any way obliged to buy at the shops of the palace," though, "naturally, convenience leads the greater part of the families to provide themselves within the palace."

So much for the material comforts and conveniences so carefully, even enthusiastically, thought out by Godin. Now for the money side of the

question. First there is a "Mutual Assurance Fund, which pays to a workman during sickness a daily allowance almost equal to his usual wages. This fund secures to him also the gratuitous attendance of a medical man *whom he selects*, medicine, linen, and other necessities. . . . The assurance at the Familistère is distinguished in being supplemented by other institutions which guarantee against want not only the sick workman but his whole family. There is alongside of this assistance for cases of illness, another fund assuring pensions to those incapacitated from working, which guarantee what is necessary for their families. See what is done by this second assurance for the family of an invalided workman. Taking into account the sums paid by the assurance against sickness, and the gains of the other members of the family, inquiry is made whether the family budget attains the amount required to avoid want. If there is a deficit, this second fund comes in aid to supply what is wanting." The necessary amount is calculated at about £1 9s. a week for father and mother and four children—"besides the gratuitous care of the nursery." Again, the assurance fund "provides pensions for those who are incapable of work. After fifteen years' service, any workman who finds himself unable to work has a right to a retiring allowance, of which the rate is fixed by the statutes," and which increases in proportion to the time he has served. In certain cases he has a right to a pension even before he has served for fifteen years. Of the share in profits, Godin gives us this general scheme—

"The workers . . . form part of the Association, and participate in its profits both commercial and

industrial." The division is made ratably according to the wages or salaries earned during the year. Thus the principle of "to every one according to the service performed" is the basis of this division.

"In the Association, the interest allotted to capital represents the value of the services rendered by the capitalist, as the wages paid to the worker represents the importance of the services rendered by him. Admitting then that one thousand francs of interest and one thousand francs of wages have a right to the same share of profits, here is the application of the principle of a division *pro rata* to services realized." This division of profits is made after deduction of "the share of the feeble and necessitous," and after the allowance for education and insurance has been made.

Godin's principle, then, is that when the interest of capital (*e.g.* 5 per cent.) has been once fixed on, it should not be increased; but that profits should be divided according to the value contributed by capital and labour estimated at the money value of their services.

But it is not only in France that industrial partnership and profit-sharing have been tried. Let me call your attention, for instance, to a profit-sharing scheme carried on in some printing works of Thomas Bushill and Sons, in Coventry. Here, as in the schemes already mentioned, insurance against sickness was deemed of particular importance by the employers, and before the scheme was put before the workpeople a sick club had been started; but the employers felt that this was not enough. Insurance against sickness is of much importance, but the insurance for old age requires also to be seen to. It is possible to save, but—so

the employers felt—to an average workman very difficult. And the chief object of this scheme was to give the workmen something substantial to look forward to, something to hope for, something to work for.

The scheme, which you can read for yourselves in a pamphlet published by T. Bushill,<sup>1</sup> is in outline as follows—

The *employés* do not, as in the schemes I have before discussed, have a certain percentage of the profits, but divide equally with the employers all profits above a certain Reserved Limit fixed by the firm.

Those who may share in the profits are those *employés* of the firm who are members of the Sick Club. The distribution of the profit which goes to the men is in proportion to the wages they receive. If the share of each man is equal to more than six weeks' wages, the excess is put into a Reserve Fund, which may be used to supplement the profits in less successful years, and if not so used for five years is paid with the interest (4 per cent.), which has accumulated on it, into the Provident Fund of the men. Of the profit which is the share of the men (before this six-weeks'-wages limit is reached), one-third is paid at once into their account at a Savings Bank, *from which they can withdraw it when they please*; the other two-thirds into a Provident Fund, which is in the hands of the firm, and receives 4 per cent. interest: this cannot be withdrawn, unless under exceptional circumstances, before the workman (if he is still in the service of

<sup>1</sup> The rules published in the pamphlet were revised a little in 1889. I quote from the revised rules.

the firm) has completed twenty-five years' service, or is sixty-five years old; if he has left the firm he is able to draw his Provident Fund at the same date only as he would have done if he had continued in its service. A woman in the service of the firm may on her marriage withdraw her Fund; and on the death of the *employé* his legal representatives may claim immediate payment.

The bonus for 1889, on these terms, was equal to *six weeks' wages*, and a balance equivalent to *five days' wages* for each *employé* was carried over into the Reserve Fund.

Now how far do such schemes bring us to the solution of the problem with which we started—how to raise wages, or rather to raise the condition of the class of Workers?

These schemes do not raise *wages as such*, but they allow to the working class *a share in profits*, partly on the ground that some of the profit which goes to the employer is not so much the profit of *his ability*, as profit put into his hands by unforeseen and unplanned, favourable turns of circumstance. But also it is a recognition of the fact that when the employer has *thoroughly the good-will of the men*, they can make a great difference to his produce and profit.

"I asked myself," said Leclair, "could a workman in our business, by putting more heart into his work, produce . . . in a day a surplus of work equivalent to the value of an hour's pay, *i.e.* 6d.? Could he besides save 2½d. a day by avoiding all waste of the materials intrusted to him, and by taking greater care of his tools? Every one would answer that he could. Well, then, if a single workman could arrive at the result of realizing, for the benefit of the concern, an additional

8½*d.* a day, in three hundred working days that would amount to a gain of £10 4*s.* 2*d.* a man."

Another gain—anything that helps the workman to save, and that gives him a good and safe investment, is an advantage. Take the scheme of Thos. Bushill and Sons. Part of the extra profit is paid into a fund from which it cannot for a while be withdrawn. And while there it receives steady and secure interest. He is *obliged* to save this part for some time; but also the part that is paid over to him, and not invested in the Provident Fund, is paid *through an account at a Savings Bank*. It is more natural to him to leave it there than to withdraw it. And, finally, the mere yearly acquisition of a lump sum, over and above that which is intended for the week's subsistence, is—unless the man is absolutely intemperate or extravagant—easier to save than a small weekly or daily part out of regular wages. Each little part is so very small that it seems each time as if he might as well spend it as save it.

But are these material advantages all the advantages? Not so; although even here the originator of the Coventry system has said that he is certain, judging from his first year's experience, "that the system may be made to pay both employer and employed." Nor does the "saving of worry," which he enumerates among the advantages from the employer's side, exhaust the list—this saving of worry springing from the fact that since good, careful work is to the interest of all, less oversight is necessary. But as the crowning advantage of all, as the way in which such a system tends, not only superficially and externally, but essentially and inwardly, to the solution of the problem,

there is the *bond of sympathy* between employer and employed; their working together for a common interest; their desire to *co-operate* in the real sense; their common care for good work; the knowledge on the part of the workpeople that the employer cares for their welfare, and their feeling that they are bound to care for his.

All this is what we really want. No movement is to be wholly trusted as of permanent use which changes merely the distribution of money between two classes, but which does not give, on the part of those who receive, the self-respect and control which enables them to keep it; and on the part of those who suffer some loss of wealth, the wider interest and sympathy which is of far more value than their material loss.

## XXI.

### BY RECOMPENSE.

#### THE PEACE OF INDUSTRY.

How does Co-operation differ from Industrial Partnership and Profit Sharing? More than at first appears. Industrial Partnership implies no *partnership of Management*, only *partnership of Profit*.

In Leclaire's scheme, the workmen's society was at most a sleeping partner. Godin managed his own business himself. Thomas Bushill makes it especially clear that the men are to bear no part in management—are not even to know what the "Reserved Limit" is. The distribution of profits on the scheme drawn up is to be managed by a trusted solicitor; the accounts are *not* to be laid before the men.

Now the very reverse of this point—which is in one sense a *safeguard* of the Industrial Partnership system—is what is counted one of the chiefest advantages of true co-operation, the *self-management of labour*. The absence of this self-management of labour, the separation of the working hand and the planning head, is a safeguard in two ways.

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It is a safeguard to those who take the workmen into partnership, that the workmen should not know *too much* of the business. In one way this comes from the fault of workmen; from their suspicion and their envy. The need for such safeguards, we will hope, is passing. But it comes also from no fault of the workmen, but from the whole organization of commercial society. Some operations of trade are like tactics of war or stratagems of Government—they must be done speedily and secretly. And if all the workmen, or even a committee of workmen, had to be kept informed of such operations—as would be their right if they were part managers—these operations would be impossible.

For instance, if when a large purchase had to be effected, the workmen had to be consulted, the delay, and possibly the publicity which would ensue, would give the price time to rise, or even make it rise, for forestallers might come in and buy up the commodity wanted so as to make a profit by re-selling it.

And the absence of the responsibility is a safeguard in some ways *for the men*. Their profit is a clear addition to their regular wages; for all these firms who have offered a share in profits have always paid their men full market wages. The men then do not take the full responsibility of the business. They risk a little money in it if they choose to invest—they would risk that anywhere—but the brunt of the risk still comes to the employer. His profit is his income. If the business is bad, in losing his profit he loses *everything*, and is brought to ruin; the men in losing profit lose merely their *additional* income; if the business

fails, they have to seek another employer, but they are not made bankrupt. They are not responsible as their employer is for borrowed capital. They are granted a part of the gain, but they take no real risk of loss. For instance, in Thomas Bushill's works, if the "Reserved Limit" is not obtained, the men do not of course receive profit; but they receive their regular wages; and the profit of the men in good years is not put by to make up the "Reserved Limit" to the employers in bad ones.

But in Co-operation proper the men take the *risk of losing* as well as the *chance of gaining*; they become their own employers, and take upon themselves the responsibility of the business—the risk to their own subscribed capital, the responsibility of the capital they have borrowed. In ceasing to be *dependent*, the workman ceases to be, to a certain extent, *protected*, by having regular wages for regular hours. I do not say that the sacrifice of protection is not worth the gain of independence; but that there is a certain sacrifice must be recognized.

This, then, is the reason why I have called Co-operation "by Recompense," and Industrial Partnership "by Right." The extra reward of the workmen in true Co-operation is for extra work done, a *new function* undertaken. They do not claim from any one a part of their rightful share which is being withheld; but they say to the employer, "The profit you are receiving may be for work you are doing; but if so, give place to us here—let us do the work, and receive the reward."

Here, then, there is a recognition of the different functions in industry, a recognition that all wealth comes from *co-operation*, or *working together*, of

different members of the organization—the capitalist or possessor of stored-up wealth; the labourer or operator of this stored-up wealth; the consumer, who makes this wealth of value by his "effective demand" of the thing produced—giving in exchange for it something which the producers require; and finally, the *employer*, who takes upon himself the responsibility of these complicated transactions.

But now here is where co-operators step in. "One function," they say, "can be dispensed with. These three classes—capitalists, labourers, and consumers—can combine, and take upon themselves the responsibility of the transaction; the *employer* can be dispensed with." Further, if they do combine together and take the responsibility instead of having a go-between, in many ways the *chance of loss*, by some of these transactions "missing fire," is much lessened.

Notice that what I have been describing now—the recognition of the co-operation of *all* these classes—is the *ideal* of co-operation. But actual co-operation has in some ways departed from it.

We may distinguish the different kinds of operations of industry by one clear division—Productive and Distributive operations. In civilized society, *Production is dependent on Distribution*. The savage might spend as much time as he liked upon producing bows and arrows for his own hunting, or bone or wood needles for his wife's sewing, of which there would be no distribution outside his own family, and there would be no danger of his causing a "glut in the market"; but if there were no distribution of the cutlery of Sheffield, the best thing the inhabitants could do would be to cut each other's throats with their knives. The

immense speed of modern production would be of no use at all but for the speed of modern distribution—the rate for instance with which Sheffield sends its iron over the world.

Nevertheless, although these two processes—*Production*, or making the thing *as* it is wanted; *Distribution*, or getting the thing *where* it is wanted—are dependent, yet they are also separable.

Shopkeepers, wholesale and retail, with their clerks and carriers—all who are engaged in buying and selling and transferring—are Distributors; they are engaged in getting the thing to the right *place*; but all who are engaged in getting the thing to the right *form*, both growers of raw material, manufacturers, and finishers of it, are Producers.

There are therefore two kinds of Co-operation—Co-operative Production and Co-operative Distribution. The first Co-operative enterprise of any note was Distributive. Twenty-eight weavers of Rochdale, in the year 1842, found themselves in substantial agreement as to the fact that they were cheated in respect both of price and of quality in the things they bought. When I say cheated, I do not mean that those who sold them deliberately defrauded them, but that the customers paid higher for goods of worse quality in buying them from retail traders than it was necessary to do. The reason is plain—the retail shopkeepers were merely making their profit out of the business on which they lived.

I do not suppose it was peculiar to these twenty-eight weavers to find out that the goods were adulterated and the prices high, but the *remedy* was peculiar to them. The remedy, namely, was—Co-operation. They resolved to become their own

shopkeepers. They each subscribed one pound—twenty-eight pounds their total capital—and with this they started. They bought flour, oatmeal, potatoes, and various others of the commonest necessities, and they bought these at *wholesale prices*, and of *good quality*. At first the "Equitable Pioneers" of Rochdale had an uphill struggle. They themselves—working weavers though they were—helped in the distribution of the goods; but at the end of the year, after interest on capital was paid, there remained the profit—formerly belonging to the shopkeepers—to divide, for the Distribution Society *bought at the wholesale prices*, but *sold at the ordinary retail price*.

The profit was divided among the co-operators, and in this case the consumers and the capitalists were the same, so it was distributed according to each one's *co-operation in consumption*—i. e. according to the money value of their purchases.

I cannot follow up all the steps of the history, but compare these figures—

Twenty-eight co-operators and £28 capital in 1842; 1,054,996 co-operators and £11,199,934 share capital at the end of 1889, in the United Kingdom. This is something like the mustard-seed, is it not?

But all these Societies are not Distributive. The plant has not only grown, but branched out. Besides 1,400 retail Distributive Societies there are two great wholesale Distributive Societies, and ninety-nine Productive Societies.

The Productive Societies, then, you will see, did not start so soon, neither did they get on so quickly as the Distributive Societies. There are many reasons for this difference. As I said before, some transactions of industry need promptitude and

quickness, and may be compared to stratagems of war, and these are not very suitable for joint management. Now these cases are more frequent in the Productive than in the Distributive Societies. There is a good, steady routine about retail distribution which a committee may well compass; and "leadership" is less necessary in distribution than production. There is a good French word for the leader of industry, *entrepreneur*, which one would translate as "undertaker," except that the word has a gloomy ring about it; but it means precisely the man who undertakes the whole of an affair. This *entrepreneur*, then, makes a great addition to *Production*, but can be more easily dispensed with in *Distribution*. Co-operative Production as well as Distribution dispenses with the *entrepreneur*.

"There can be a paid *entrepreneur*," it may be said, "who can receive his Wages of Management." There may be, but here comes out the weakness not of co-operation but of co-operators; and the weakness here is the same as before—envy and distrust; penny-wisdom and pound-folly. Co-operators are not willing to pay wages of management *high enough to secure good managers*. Again and again they have been cheated even by their cheaply-paid Treasurers and Secretaries.

But although the Productive Societies have had an uphill fight, they have fought it well, and have had some measure of success. The story of the Hebden Bridge Fustian Manufacturing Society will show you how difficult it has sometimes been. In 1870, the Society started among men so poor that, as one of them says, "None of us owned as much as a five-pound note. We nevertheless put our threepences together week after week until we

got about £10, which we invested at interest in the Hebden Bridge Industrial Society." And having got £10, they passed the following resolution—

"The objects of the Society shall be to find employment for its members by the manufacture and sale of fustians, and it shall by contributions (of money, labour, and profits) accumulate £1000 for that purpose," &c.

It must have seemed a hopeful prospect, starting with £10 and threepenny contributions to accumulate £1000!

"We calculated and schemed how we could make progress and increase our little capital," writes their secretary. "We rented a small upper room over a passage, ten feet by ten. . . . Our spare time was given to fitting up the small fixtures we could afford, buying the boards and making the shelves ourselves, which served to hold our small stock. We bought a second-hand chair and table, and with two forms we were completely furnished for a meeting-room. A minute-book, account-book, and a little stationery also we bought; we canvassed and had meetings again and again, trudging back to our homes at eleven every night in the week."

At the end of the first quarter they had £37 7s. 11d. subscribed capital, and began work—giving out the material to the members to cut, the price of cutting being added to the share-account of the cutter—but even then they had not sufficient capital to finish their goods, and had to send them to the local dyer.

Then the difficulty of finding a market came upon them. They had calculated on having the Stores as customers; but having exhausted their

money, they could not get to the Stores at a distance. They had to canvass for trade by sending patterns by post, or carrying them to those places which they could walk to in the evening.

At the end of the year they had ninety-five members and £82 18s. 3d. share capital, and had made a gain of £3 1s. 8d. This balance was carried forward—no interest being paid for capital and no wages—"all office, warehouse, and other work of any kind was done for love."

By this time they had found that if they wished to get any considerable trade they must make up the fustian into garments; and to do this they had to employ other men outside their Society, and pay them wages. But these men cheated them of the cloth they had to make up, and charged too high for their work, so they got a cutter of the cloth, and employed him one or two evenings in the week under their own supervision, invested in a sewing-machine, and took into partnership a machiner and finisher. These people, as they had not, like the original members, any other regular employment, could not be paid merely by being credited with shares; they had to have their regular wages; and there was sufficient difficulty about getting these—"and when we were short of money to pay wages with, we borrowed from one another."

This shows you the difficulty of the start; and it was not the only difficulty. Many of the original members lost heart and fell away—for the Society could employ but few of its members—men and women came in who had not gone through the difficulties of starting, and yet reaped the benefit. But the Society prospered, until the interest on capital went up to 12½ per cent.; but though some

of those who invested in it did it merely for the sake of gain, not for the co-operative principle, the Society as a whole was true to its principle of paying a dividend to labour, and fixed the maximum rate of interest at 7½ per cent.

At the end of 1889, the Hebden Bridge Fustian Society had 652 members, £20,667 share capital, was paying 7½ per cent. interest, 9d. in the £1 bonus on wages, and 9d. bonus in the £1 to consumers.

The story is an interesting one, and you can read it in the *Story of the Formation of the Hebden Bridge Fustian Manufacturing Society*, by Joseph Greenwood.

Here then you see is one instance of a co-operative society going on true co-operative principles, recognizing the *co-operation* of the capitalist, the labourer, and the purchaser. The Hebden Bridge Manufacturers restricted the interest on capital to 7½ per cent.—which was the ordinary rate at that time—in order not to make the Society merely a joint-stock society—a good investment for capital. But many of the societies—of the productive societies even as well as the distributive—have fallen away from the ideal of co-operation, and have not recognized the right of labour as such to a share in the profits. The labourer shares *as consumer*—he gets his dividend on the purchases he has made; and the labourer shares *as capitalist*—he gets his interest, and sometimes a very high interest, on the capital he has invested, but he does not get his share of profit *as labourer*; he gets regular market wages for the work he does for the Society, but no part of the profits in the making of which he co-operates. This is a serious point, and one on which there

is much division of opinion among co-operators. In answer to a circular issued by the Central Co-operative Office asking the question, "Are you prepared to fall in with the Congress resolution as follows—'That this Congress reaffirms the principle that by whomsoever productive enterprises are established . . . an alliance be formed on equitable conditions for the sharing of profits and risks between *the worker, the capitalist, and the consumer*'?"—one hundred and eighty Societies voted in favour of upholding the principle, and three hundred and eight against it. Yet this is the ideal of co-operation.

But to sum up. What are the advantages of Co-operation if it does not raise wages *as* wages? What does it do to raise the position of the wage-receiver? First, it enables him to perform another function than that of worker, and to receive therefore another reward than that of wages. It enables him to undertake industrial enterprises. And we must not reckon the advantage here to be the merely material advantage of the *economy*<sup>1</sup> of the

<sup>1</sup> The economy is not merely the saving to the consumer (in distributive enterprise) of the difference between wholesale and retail price, but the economy of a great part of the expense of retail trade—economy (1) in consequence of the *cash* system; (2) in consequence of the *market* being already found among the co-operators, advertisement can be economized. In Productive enterprises, if the labourers are given a share in the profits, the economy is effected, as in Profit Sharing, by (1) rendering supervision less necessary; (2) lessening waste; (3) stimulating energy; all of which results from the fact that under such a system the labourer is working for his own interest. If the labourer's share is *not* recognized in Productive Co-operation, the motive to this economy is much reduced. He will share only as *consumer* in the results of his work, and the increased efficiency of *his own* work will affect him only to an infinitesimal amount.

extra money even; but it gives scope for the ability of the worker, and gives him a status where his faculties have freer play. In this way it offers a greater advantage than the profit-sharing of industrial partnership.

Again, the Co-operative Societies offer a good, safe, and an easy investment of capital in order to save. A man has merely *not* to *withdraw* his dividend, but to let it accumulate as Share Capital. If, for instance, he purchases at the store of which he is a member, he gets *good* articles at the ordinary prices; but at the end of the year he has a dividend, a lump sum, owing to him as bonus on his purchases—his *consumer's share* of the profits. It is almost easier to let this remain than to withdraw it; he has not, as in other cases, to *seek* an investment for it, and he could hardly find a better one. And for the speed with which such investments accumulate, take the following instance, given by Miss Llewellyn Davies in a short paper called *The Co-operative Movement*—

"Supposing a man to spend ten shillings a week at a store where the dividend (that is his share in the profits) is at the rate of two shillings on every £1 he spends, at the end of ten years he would have £32 10s.; at the end of twenty years, £86 10s. 6d.; at the end of thirty years, £175 6s. 9d. This accumulation takes place by simply buying at the stores things that must be bought somewhere, and not withdrawing the profits."

These are the essential advantages of Co-operation—the material gain, the scope for ability, the independence, the working with and for other men, the perseverance, the control, the discipline necessarily brought out in carrying through such

enterprises as I have described. There are other advantages of which I have not spoken, because they are not so much necessary parts of co-operation, though they have been well undertaken by co-operators—such as providing educational advantages, lectures, and libraries: £26,947 was spent in 1889 alone on educational purposes by co-operative societies throughout the kingdom; and this does not seem insignificant.

How far then does *Co-operation* go in giving us a solution of our problem?

## XXII.

## BY RECOMPENSE.

## THE ARISTOCRACY OF LABOUR.

IN a certain fairy story the persecuted heroine is given an impossible task by a malignant fairy—to draw water in a sieve. She goes down to the spring and dips the sieve in, but as she draws it out all the water runs through. While she stands there crying, there comes to her the good fairy of the story, and tells her to spread clay over the bottom of her sieve, which, when she has done, she can draw the water with ease.

We have been discussing the various schemes by which it is hoped to improve the condition of the working class. But we need to ask ourselves one question—"Have we stopped up the holes in our sieve?" Or, in other words, if we have given the *opportunity to gain*, have we given the *spirit to keep* what is gained?

At a working men's Evening School, one evening, when the men were not at work, one of them suddenly proposed this question—"If all the money in the country was to be put together and divided up

equally, how long would it remain so?" And the man to whom he said it replied, "Not *two minutes*." "Why," said the first, "you and I know some people who would have betted it away in half that time." From which the moral is fairly evident—that *external organization alone is no use*; it may put things right for the moment, but it will be only for a moment, and the causes which brought things to their present condition will speedily bring them back to a similar one. I grant you that the position of many *individuals* will be reversed; that many extravagant, rich men would then be thriftless, poor men; that many industrious and careful poor would then be industrious and careful rich; but *on the whole* how much difference would it make?—*would it do away with poverty?* The man who now spends half his earnings in the public-house, will spend half his income or more in dissipation; the woman who is too lazy to get up and get her children's breakfast before they go to school, will still be too lazy to manage her household affairs when she has more to account for; the boys and girls who marry with hardly a thought of provision for their family will marry still, and more children will grow up inheriting the imprudence, the undisciplined nature of their parents.

And on the whole the poorest class are the most undisciplined, the least controlled. Take, for example, the violence, the wife-beating, the drunkenness, the idleness when want of food is not too pressing—the early marriages. To one of the great public institutions of London, established for the use of the poorest classes, the poorest classes will not come because of the *discipline* necessary.

The men, who had begun drilling under a sergeant, said, "they might as well be at work if they were going to be kept in such order as that!" These qualities have been produced, it may be said, by the stress of poverty, the hopelessness of condition. True, perhaps—but *they are there now*, and a change of condition will not take them away. I do not mean to imply by this that the poor have *more faults* than the rich; for indeed there are virtues as well as faults that come out of poverty, and perhaps some of the finest virtues—as we may contrast the unselfishness of the poor, who will give even "all their living," with selfish indifference produced by riches, which hesitates to restrict itself even of its luxuries. One does not for a moment deny the *good* qualities—only *this* is the point here, that these good qualities *are not generally such as will enable them to retain the material advantages which they are given*. They are good—perhaps the best—but they do not stop the holes in the sieve.

Instances are not wanting. The old Poor Law, of which I spoke before—what did it do but foster the very faults which had brought about the condition that it sought to remedy?

When the slaves were first emancipated in America, receiving their liberty meant too often losing everything else—life even; in the reaction they would do no work at all, and starved. This nature which would not work except under pressure had been brought about by slavery, but it could not be cured by merely taking away slavery. When some quality of character has been produced among men or nations by certain conditions, *the mere removal of these conditions* will not take away the quality.

If a person has caught typhoid fever by living near a bad drain, you cannot cure the fever by merely taking the person away from the place. That external condition—the drain—has set up a series of *internal conditions*; it is not enough to remove the external condition; the internal condition must in itself be attended to.

But the case is still more complicated than this. In some cases the *external cause, which is productive of the evil, cannot be removed suddenly without causing worse evil*. If a man has been fasting a long time, the want of food has produced a condition of weakness from which he may die. But the want of food cannot be remedied all at once; if he is given instantly as much food as he wants, his internal condition—the weakness—will not let him receive it—he would certainly die.

Here, then, is the problem which we have before us. Externally—poverty, over-work, hopelessness, destitution. And this condition of things has been produced partly by the turns of fortune, but partly also by the internal condition—thriftlessness, want of self-control, leading to intemperance, idleness; and partly by *incapability*. But again, this thriftlessness, incapability, and uncontrol, are caused partly in their turn by the condition of *extreme poverty, which gives no hope, no inducement or motive to improvement*. We cannot then cure either of these conditions without the other.

If we begin with the external condition we right, it is true, those who are only kept down by adverse circumstances; but we do no good at all to those who are incapable of making their way in the world; and we increase the faults of thriftlessness, idleness, and intemperance; while if we begin

solely with the internal condition, we shall find a *physical barrier* prevents our getting very far. Children who go to school without breakfast cannot be expected to pass a very high standard, and those who get no other pleasure in life will snatch the pleasure of a drinking-bout. We must then improve both conditions side by side if we would make real progress.

Of these methods, then, let us inquire which act *not only on external conditions, but correspondingly on the internal condition*, so as to make those to whom we give anything capable of keeping it.

Socialism first. We know what it aims at externally, what would its effect internally be? It is difficult to make definite statements, because the word "Socialism" covers such a number of different views; but in the first place it substitutes *State action for the action of individuals* and voluntary association; but will this foster the spirit of independence?—and will the absence of independence encourage energetic individual action?

How will it encourage individual thrift? This we have considered before.

"Under a Socialistic system contracts between individuals would be voluntary and unenforced by the community. This would apply to the marriage contract as well as others, and it would become a matter of simple inclination." How would this foster self-control, discipline, foresight?

And, finally, when the necessity is taken away from individuals of independence, thrift, self-control, discipline, foresight—do we expect *the State* to be strong, prudent, well-governed? How will a State in which no contract is enforced between individuals keep its contract with other nations?

What will happen to its trade if it does not? How will a State in which no individuals have foresight for themselves foresee for all?

The Socialists think to improve the internal condition by education, by healthy amusement. One question only as to this, though there may be many—What will the position of children be in a home when the position of husband and wife is what is proposed? And will the State deal directly with the children without interposition of the parents?

Next: how does the scheme of Industrial Partnership come out, tried in this way?

It stimulates energy, creates good feeling among different classes, raises immediately the position of the worker; but does it give sufficient scope for his higher faculties? Does it enable the workman to be anything more than a workman? Is it educational enough? Does it not rather accustom him to have things done for him instead of by him?

But Trades-Unionism? Here we have discipline, subjection of individual inclination to united will. We have men insisting upon understanding the real state of affairs. What is to be desired is, that they may understand *enough*; that they may understand "theory" as well as "facts"; that is to say, that they may not be led away by the *immediate appearance of things*, which people falsely call "fact"; but try to reconcile them with those fundamental facts which are in the background. For instance, in estimating whether a rise of price ought to bring them also a rise of wages, that they may take into account what *losses* there have been, what risk, what competition. Hastiness we saw was one danger, tyranny another. If these are checked,

the Trades-Unions will act on "internal condition," not only on external circumstances. If they are not checked, through them the Trades-Unions will bring about their own destruction.

*Co-operation*—this is *educational* again; educational in giving scope to the managing faculties of the men; in bringing out perseverance, in instilling a common interest, and making them work for a common end.

But are either Co-operation or Trades-Unionism sufficient *alone*? Is this all that needs be done to fit people for a more equal distribution of wealth? The question is easily answered. Is every one even yet fit to realize the advantage of Co-operation and Trades-Unionism? A friend of mine was talking to a manager of a co-operative store in London, and he told her that the London co-operators were so different from co-operators in the North. The latter would deal regularly with the store; leave their dividends in, and accumulate their savings there. The Londoners, even if they were members of a store, were too slipshod in their habits to deal regularly with it; but would run round to "the shop at the corner" when they wanted anything; and far from letting their money accumulate, wanted to withdraw their dividends before the time. Again, are there not even now some classes whom it is impossible to combine into Trades-Unions, for they are not ready for it? There are few women's unions, for instance. And again, if there are some who cannot even be formed into a Trades-Union, are there not many formed indeed into unions, but without the *knowledge* which is essential to wise action, or the *discipline* essential to strong action, or the

*independence of spirit* which characterizes the best unions.

"Trades-Unionism and Co-operation," say some of the Socialists, "can do nothing of any importance, because they touch only *the Aristocracy of Labour*."

"Aristocracy of Labour"—it is intended as a taunt; but what does the word really mean? The Socialists use "aristocracy" as if it were equivalent to "class favoured by fortune"; but the word comes from two Greek words, and means "rule of the best." Nor is this word for "best" a merely *comparative* term; it does not *merely* mean some who are better than others; but rather the attainment of a certain standard of goodness; so that an "aristocracy" or "rule of the best" is not the same as an "oligarchy," or "rule of the few"; but might even be a "democracy" or "rule of the people," if the people were good enough. Is it, then, any drawback to Trades-Unionism and Co-operation, that it affects the "Aristocracy of Labour"; that those who take part in Trades-Unionism or Co-operation are the *best—the very good*—among the labourers? Is it not better that the rise in the condition of the working classes should take place through these—that while all are not "very good," those who are "best" should rule? Should not our whole endeavour be, not to check the advance of the "Aristocracy of Labour," but to extend the Aristocracy until it embraces the whole Demos? How shall we do this?

### XXIII.

#### BY RECOMPENSE.

##### A DAY OF SMALL THINGS.

LET us come then more in detail to those causes which hinder improvement *from the inside*, and we shall see what the remedies may be. We will take these causes under five chief heads—waste, thriftlessness, improvidence, intemperance. These are more or less *moral defects*, and depend for remedy on exciting the *desire for reform* on the part of the person who is wasteful, thriftless, improvident, and intemperate. But a fifth cause, which depends more entirely upon outside help, and is less a matter of will, is incapability.

*Waste.* "I asked myself," says Leclair, "could a workman in our business . . . save twopence-halfpenny a day by avoiding all waste of the materials entrusted to him, and by taking greater care of his tools?" And Leclair came to the conclusion that he could do so.

Twopence-halfpenny a day is seven hundred and fifty pence in a year of three hundred working days; that is over £3. What would the total gain to the country be if all workmen paid this little extra

attention? But it is not only waste of things *in using* them that could be so economized, but waste of things *by not using them*. For instance, production might be made enormously easier and quicker if we would use all the good machinery which has been invented. Especially in agriculture, the prejudice against machinery and the stupidity in using it, diminishes enormously the production which there would otherwise be. Again, carelessness, idleness, dishonesty, render necessary an immense amount of supervision, which otherwise could be economized.

But it is not waste *in working* that I wish particularly to notice, but *waste in the homes*. The poor often waste food that would be put to use in a large house. In London courts one sees bread, bones, even meat sometimes thrown about in a way that would be impossible in a well-managed, well-to-do household.

Again continually, almost universally, except in thrifty districts, one finds that the poor cook in the most wasteful possible way, cutting the meat in a way that loses the nourishing juices of it, and frying it—which every economical cook knows to be the least saving method, not to speak of the fact that it is less wholesome than boiling. All this comes from doing things in a hurry, and in the way to save trouble. Trouble of this kind is the only thing about which economy is regularly practised.

From the same reason, not taking trouble in time to provide for a want beforehand, comes the wastefulness of buying things in small quantities. For example, *coal* is retailed in London streets in very small quantities at about twice its ordinary

value. Of course it would be difficult to lay in, in a small house, any large stock of coal; but buying it in such very small quantities as is generally done, does not come from this reason, but simply because people will not take trouble to put by enough money at a time for this purpose. Bricks of coal-dust, of which a number might be stored without any inconvenience, are broken up into quarters for sale in London, and there sold at about four times the price of whole cakes.

Again, the purchase of secondhand things—such as clothes and boots, which seems to be specially characteristic of the English—is wasteful. A Parisian woman, as poor as any Londoner, will buy herself *fresh* stuff, and make a dress suitable to herself. But the English, partly from the improvidence I have mentioned, partly from the fatal inclination to follow the fashion of the upper classes, will buy old things which will wear out before any use has been got out of them—secondhand boots, which will let the wet through. Is it not better to have a dress fresh, *proper* to the person who wears it, than shabbily to follow behind the fashion?

Finally, we come to the most wasteful practice of all—pawning. It is fearful to think of what a tremendous hold it has upon the lower classes in large towns—how there are many of their (nominal) possessions which spend half their time or more in the pawnshop. Even more—in some parts of London clothes are only taken out on Saturday night, when the money comes in, and pawned again on Monday. Pawning means that a family is always *behindhand* with the world; when but for the bad start they might as well

always be beforehand with the world. It is as easy to be *regularly* five minutes before the time as *regularly* five minutes behind; it is only "the first step which costs." A family which has nearly always £5 worth of things pawned might as easily have nearly always £5 saved, if they could once get the start. And in this latter case the interest on the money borrowed (as is really the case) from the pawnshop would be all saved.

*Thriftlessness*, the next cause, is hardly distinguishable from *waste* on the one side and *improvidence* on the other; but some habits come more conveniently under this head.

Here comes the *laziness* that does not express itself exactly as *waste* in the home, but as discomfort, which induces worse consequences. For instance, so much of what is such a distress in London now—children coming unfed to school—comes from thriftlessness as much as from real poverty. The mother who sends her children unwashed to school, does not do so because she cannot wash them, or because she will not wash them at all, but because she will not do it *when it ought to be done*. Just so she sends them unfed in the morning, not always because she cannot feed them, or will not feed them in the rest of the day (though sometimes this is sadly too true), but because she will not rouse herself to provide it early, when it ought to be done. It is true that the worries and cares of her life leave her little spirit to be regular and orderly; but it is through her getting this spirit somehow that the reform must come, and through her very spirit in meeting worries that the worries will diminish. With a tidy, clean, well-ordered home, would her husband spend

so much of his money at the public-house, and visit his drunken excitement on her? Would well-washed, well-cared-for, obedient children be such a burden on her as sickly, spoilt, ill-mannered children?

At a certain place in the country I know there are two cottages; the father of the family at both works at the same kind of work, and they get about equal wages. The first family, which I will call A, takes in, moreover, a lodger. She pays something, but the mother of the family has to look after her room, and she does not help in the household. At the other lodge, where the B family live, the mother takes children to look after. The A's have one son at work, but he has only just begun work, and does not earn much. The B's have also a son who is earning, but he is older, and away from home. Their resources, therefore, as you see, are about equal. But Mr. and Mrs. B have no one to keep but their two selves, not counting the children in to nurse, who pay more than enough for their own keep. The A's have eight children of their own. Which family would you expect to be best off? "The B's naturally, as having equal income and less expenses." Now hear the state of the case. At the B's house the woman is always untidy, worn, and worried. If she asks you in, there is a bare, comfortless room. The A's little children are neat and healthy. The two little girls going to Sunday school with their little brothers are a refreshing sight, with their long pretty hair crimped for Sunday, neat little brown cloaks, and tidy shoes, and their hymn-books in their hands. If you go to visit Mrs. A, she shows you a neat, pretty room with flowers in the window,

the last baby in its cot, the little girls taking charge of the other children in the garden.

What makes the difference here? Mrs. B drinks; her husband is not very kind to her, and she is "driven to it." But is it not partly perhaps that her thriftlessness, untidiness, the discomfort of the home "drove" him to unkindness first?

One of the saddest points of thriftlessness at the present time is the helplessness of people to do anything for themselves. In big towns they can get so much done for them that they will not, even if they can, provide for themselves. Girls at Board Schools now learn to work beautifully, yet they will come to school with torn pinafores, which they might easily mend. And a school-mistress told me a story, which is sadly confirmed by knowledge of the homes—that the girls who will do exquisite needlework in fine baby garments in school, will practise at home nothing of what she has taught them, except perhaps knitting stockings. London girls, earning not more than ten or twelve shillings a week, will pay ten shillings to have a dress made for them, to save the trouble of making it themselves, or because they cannot give it a sufficiently fashionable air; and will take the feathers for their hats to a curler to be curled for them at twopence a feather. Is it not absurd that the only club that girls will belong to sometimes is a feather club, for the decoration of their hats?

Here again, of course, as everywhere, comes the difficulty of "external conditions" of girls, hard at work all day, doing anything for themselves at home after hours. Still this helplessness is one real cause of poverty. If we can get the external

condition changed, we must not forget that this internal cause wants treatment too.

But the spending on ornament and show when necessities are wanting is a strange sign. I was told of a woman the other day, who after dressing herself in the deepest crape on the death of a baby, was found, when she was ill soon after, to be in want of the commonest necessities of clothing.

The people in the south of England, and particularly in London, are in all these ways so far inferior to the Northerners and the Scotch. In a Scotch household most of the household things will sometimes be made, and neatly made, by the wife.

*Improvvidence.*—This, again, is closely connected with the preceding headings; but there are two special points I want to notice. First, the improvvidence of early marriages; secondly, the improvvidence in not saving in clubs and friendly societies, or Savings Banks, when it would be perfectly possible.

The improvvidence of early marriages. This, as I said, is so much worse in England than elsewhere; worse in London and the large towns than in some other parts of England.

There was a funny story I heard the other day of a lady who going to visit a family found the mother groaning over the fact that her daughter was going to be married. "Don't you like the man, then?" the lady asked. "Oh, yes; it's not that," said the old woman; "but I say, 'Marry in haste, repent at leisure.'" "But have they not known each other some time?" she asked again. "No; they've only been keeping company seven years," was the reply.

This kind of "marrying in haste" wouldn't have so much against it perhaps; but compared to this the marrying that does take place is of lightning speed. Hear the banns read over in some poor London church, and notice how many times the word "minor" comes.

This was a case I came across. A London girl married a man not much older than herself. He had only one arm, so that was not a promising start in the way of income; they had a marriage with great festivities. A few days after that they quarrelled about what part of his wages he would give her, and the girl went back to her mother, where she lived ever since. Her mother was a widow with a son out of work, and a daughter—not a strong girl. The married daughter's baby was born while she was at home, and at the time she was laid up the family was being supported by the unmarried girl, who was working at an unhealthy occupation, with a bad illness on her, for 7s. 6d. a week! How is it to be expected that affairs should prosper when a young man who cannot get on well by himself, takes home as his wife an imprudent, thriftless girl? What sort of husband will he make in self-denial?—what sort of a prudent father, when he has not had self-denial enough to lay by beforehand, when it would be easier, for his future wife and family? Marriage, with its new claims, does bring some degree of self-denial with it; but how much better it would be if the boy and girl would deny themselves before marriage, or even when they are first married, when it is comparatively easy, instead of having to bear the brunt of it when the young family is growing up, and the mother cannot work. Here

again people will say, and truly, "There is much *excuse*; they cannot be much worse off in any case than they are already, and they will be happier married." It is true that there is much *excuse*. But it is not the moral question, the amount of blame to them, that we are concerned with here, but the *economical* question; and it is undeniable that early and imprudent marriage is one of the things that render so many attempted remedies of poverty useless.

Then there is the question of *saving*. What large numbers of working people, even of those well able to afford it, belong neither to Friendly Societies or Sick Clubs. Then how many who do belong to such Societies take the pains to find out the best—those which are most *secure*? Very often they put into Societies in which by suspension of one or two weeks' payment they forfeit all claim to the whole of what they have laid by.

Again, how many who subscribe to nothing else subscribe to Burial Clubs? Is a child's death the *first* thing that should be ensured? The motive to this (in most cases) is true reverence and affection; but surely the reverence should be shown *first* to the life of the child, rather than to the care of its body after death; sickness and want should *first* be provided against.

We English are so much worse in this respect than for instance the French. A French gentleman told me of two servants of his, butler and cook, who were in his service for nine years after they were married. They received together £40 a year as wages, and in the nine years saved £120.

*Intemperance*.—This, the worst destroyer of happiness, self-respect, prosperity, often, as I have

said, comes from some of the causes I have mentioned—discomfort, and worry, and poverty. But it is, perhaps, the worst and most fatal cause of poverty, and it must be dealt with by itself.

First, notice these figures as to the amount that is spent on drink.

In 1889, £11,000,000 was spent on education in England, £70,000,000 on bread, and £136,000,000 (nearly twice as much) on intoxicating liquors; and in 1890 £139,500,000 was spent on alcoholic liquors.

But it is not, of course, only the amount of money that is spent on drink that is so fatal; but the awful consequences that it brings with it—the brutes that it makes of men and women, the degradation of the moral nature, the physical enfeeblement of them and of their children. On the merely economic side of the question, think of the loss not only of the money that is spent on it, but the time spent, the diminished capacity of work, the diminished power of self-control and capacity of saving. Again, it has been calculated that if all who are brought to prison by drink could be kept away, *three* of the prisons in London alone could be given up—a *direct* economy of £48,000 a year. And with all this, is it not terrific that the English seem to find something *amusing* in drunkenness—introduce it as a comic incident into a play?

A London working man told a friend of mine that he might have the best home in Southwark if it were not for drink. He had a wife and daughter—respectable, nice women. For a long time he would go on steadily, even saving up his wages in a money-box. Then the fit would come upon him; he would begin to drink; take out all his savings and

spend them, pawn and get into debt—like a wild beast or maniac more than a man. Then he would come back repentant to his wife and daughter, who left him when this drunken bout got to its worst, and they would try to make a fresh start together.

Lastly, there is *incapability*—industrial inefficiency. There are some people who cannot work well, through physical or brain defect, by birth or accident. I do not mean such defect as would make us class them as “deficient,” but such as makes us sure they “will never do much good.” Some of this inefficiency is produced by accident, some by physical causes unknown to us; but how much by these causes I have mentioned?

What is to be expected of the child of a drunken father, of a hopeless and thriftless mother, in the way of *physical* organization, not to speak of moral nature and habits? What can be hoped for from children who have an education in name, but cannot learn because they are not sufficiently fed? Many of the children who are excused from the standard examination in the Board Schools, have a certain degree of deficiency brought on by poor living, which could be remedied by good living; but if it is *not* remedied they grow up inefficient, if not absolutely deficient, men and women. What of control, prudence, temperance, can be expected of children brought up without discipline, and by intemperate parents?

These are the things to be remedied; what are the means to act directly on these?

First—*Education*.

Education, like charity, begins at home. A child who will only go to school for the promise

of a farthing is not likely to be well-behaved when it gets there. It must be prepared for school by habits of orderliness, tidiness, obedience, attention at home; without these instruction may be poured into it, but it will not learn. Then the things taught at school must be kept up at home. Let the children who take such pleasure in their songs at school be encouraged to take pleasure in them at home. Songs which are good and musical, and not silly, will have a good effect on them, and save them from worse amusements. Then the girls' needlework at school might be turned to good use at home. And what use is there in the children acquiring the power of reading at school, if all the material on which it is to be expended is bad or silly novelettes and the *Police News*? They had better learn to read nothing at all, than read nothing but this.

General education is of great use to give children *general* good habits, healthy and good amusements, and the habit of learning *strengthens the power of the will over momentary inclination*; but education is being improved on its practical side, with cookery classes, and domestic economy, and the teaching of all home-arts and industries. The spread of Polytechnics, home-art classes, popular lectures, free libraries, all lead up the elementary education, and shows people that that education which is *confined* to school, and ends after—at most—the seventh standard, is not all that can be desired.

In Switzerland, where little work can be done in the winter, all the young men and women must come back during the cold months until they are twenty-one, to what is called a "Repetition School." Here they revive what they have learnt before, and

learn higher subjects if they like, such as English and German. It is of course this suspension of work that makes such a thorough-going system possible; but we can even in England do a great deal in this way in evening schools and classes.

To return to the children—the education of school is not confined to the work in and for classes. The Penny Banks established for school-children teach them to save. At some schools the children are encouraged to belong to Bands of Hope, and to be members of, and write essays for, the Society for the Prevention of Cruelty to Animals; they win prizes sometimes in this way.

Then further: in the elementary schools there are often children whose abilities fit them for much higher education, and the scheme which meets these wants is a system of *graduated schools*—elementary, middle, high school—with scholarships for those who could not otherwise afford the better education (the competition for which is a test of fitness), and final scholarships to the Universities.

Again, there is, with regard to the children, a great quantity of "raw material" which is put into the hands of the State to deal with. I mean deserted or orphan pauper children. And it rests with the local boards as to whether these children shall be brought up to be efficient members of society, as they become under the *Boarding out system*; or whether they shall be brought up, well as regards mere head knowledge, but without any grasp on practical life, as happens in the work-house schools. The danger of pauperism this way is very slight; people on the verge of pauperism will not be affected much either way by the fact of whether if they die or desert their children

these will be well and happily brought up in cottage homes, or less successfully in the work-house school. Saving will not really be discouraged by the fact that children for whom no provision has been made have a home found for them, where more money is actually expended on them than on the children of the independent labourer.

But education, if it is education in the true sense, is not for children only, nor even does it include only the younger men or women; but it is *the habit of a lifetime*—and what a difference could be made by it in the *pleasure* of life! When art, science, knowledge, are real delights, they are more real than material pleasures. What a difference would be made in poor homes if art galleries, museums, *good* music, were as much attraction as public-houses and low music-halls! This movement is beginning, only it must take root deeper, and extend further—get more hold, and wider hold. The Kyrle Society has done much in bringing the care for beautiful things to people who could not have gained it for themselves. And all movements of the kind—window gardening; everything that makes people care for what is beautiful and true rather than for what is low and coarse, has its effect in elevating in ways more than we can number.

Yet this, as I said, cannot be improved *from the inside only*. There is a certain necessary, *material basis*, of life without which pleasures of culture cannot be appreciated. The external conditions must be made to improve along with the improvement of education—partly in consequence of this improvement, but partly as making it possible.

For the rest of the remedies, they can be easily

summed up. The *Temperance* movement has done and is doing much to check the vice of the English. It was not so long ago since in the upper ranks of society a large dinner was always ended by hopeless drunkenness on the part of most of the men present. That would now be considered a disgrace—a blot on good manners, if nothing more—which would not be easily overlooked. Habits of thinking, like fashions of dress, spread downwards.

For *providence*—both for marriage and age—much may be done by encouraging boys and girls to begin to save early. It was once a natural thing in England, and is still so among the most thrifty nations, that a girl should bring a dowry to marriage; generally the result of her own work. And would it be much to require that her husband should have something to meet it with?

And to what do all these things tend?

## AN ABIDING CITY.

WHAT distinguishes reasonable, conscious action from unreasonable, instinctive action is, that in the former we make to ourselves an *idea* of something that we are aiming at realizing; in the latter we act without any such idea.

When I close my eyes suddenly at a threatened blow, it is not because I consciously realize the *idea* of danger, and the necessity of defending myself; but the movement is instinctive, and I can hardly with the utmost effort prevent myself from doing it even when I know the danger not to be real. But when I do any reasonable, intentional action, perform any act of will however small—if I go to light the fire—I must form to myself the *idea* of something which I wish to realize. Now we do not in little things call this *idea* that we wish to realize an “ideal,” because the term seems so important, it has a great use; but when the will has to be roused, and has to carry on a course of action in spite of difficulties; has to realize an end, patiently and laboriously finding

means to it; we call the idea of this object which is to be aimed at an “ideal.”

Now no Reform such as we have been talking about can be carried out without the *formation of an ideal*. People may rant, and do rant, about things not being as they should be; but it is of no use to change them until we have a definite idea of what they should be. So the question we must ask ourselves is, “What is our Ideal of economic relations?” And as “economy” is only a means to an end—Social life—we cannot settle the Ideal of *economic* relations without having some Ideal of *Social Life*.

And it is a help to us in forming this ideal if we think of what the great ideals are that we have put before us in Literature. I shall begin with two which are most familiar to us, and yet probably most startling in this connection; but I want you to notice certain points about them.

The Bible begins and ends with the account of an Ideal State.

The first is the ideal of innocent, untried humanity; and this is a Garden—the Garden of Eden. The second is the ideal of perfected humanity; and this is a City—the New Jerusalem.

Do you see the first point of this? Man, *as he is now*, fallen but redeemed, cannot be perfect in isolation from his fellows; he cannot be perfect alone in nature; he is only complete in social relations—the type of this is a *City*.

The two other ideals, then, of which the names may be familiar to you, are both ideals of social man—one, of the old Greek time, when the social and political life of man was complete in the city, is the *Republic of Plato*; the other, when the State

had spread beyond the bounds of the city—written in the time of Henry VIII.—is the *Utopia* of Sir Thomas More.

The *Utopia* is pretty reading—the idea of a State where there is perfect equality—every one works, and not too much; and each one has the work to which he or she is most fitted. It is a peaceful Socialism. Yet reading it, one cannot help thinking that the *Utopia* must have been singularly unprogressive, and perhaps somewhat dull. And when we find that a man may walk in the fields with the permission of his father and the consent of his wife, we feel that such a degree of subjection of the individual would have to be handsomely compensated for by other advantages. Still the *Utopia* is charming reading, and, as I said, curiously like in idea the Socialistic schemes of the present day; but of course is not enough suited to the circumstances of the time to be of practical value.

The *Republic of Plato* has a very different value for us. Plato gives a picture of the Ideal State, and fashions it "after the measure of a man." As a man's nature consists of three parts—the guiding brain, the emotions, and the appetites—so the State should consist of those who govern, those who defend, and those who attend to the material resources—the workers. Each of these parts has a virtue of its own. Those who govern should be the Philosophers, or Wisdom Lovers; those who defend must have the virtue of Fortitude; and the virtue of Temperance is proper to those who are concerned with material provision. Finally, as the man is not complete without a right *relation* of these parts to one another, so the State is not perfect

unless a certain proportion is observed between its classes. And this bond and right relation of the whole is what Plato calls Justice or Righteousness.

Now let us fashion out our Ideal State according to the circumstances, the difficulties and facilities, the needs and the dangers of our own time. What is it that we want?

In so far as the social and economical sides touch one another, we have three points to consider—work, reward, leisure.

*Our ideal of Work.*—There is, it must be admitted, some work which is neither beautiful nor interesting. Our object would be then in respect of such to have all work which was disagreeable or unhealthy, or required mere brute force, to be done as far as possible by machines; and where that could not be, to mitigate the unhealthiness or disagreeableness as much as possible—as the unhealthiness of woollen factories is lessened by the ventilation which disperses the fluff. But all work which is simply dull, or simply requires strength, is of course particularly suitable to machines—that is why we call it mechanical.

But there is a great deal of work which is at present dull or disagreeable that could be made quite otherwise by encouraging the workers to put something *original* into it; not only to carry out, but to invent. An instance of this is in some beautiful pottery works in London, where the workers make their own designs, and never make more than two things of the same pattern. Such work, which is real artistic work, may be difficult, may be a strain, but possesses a real fascination, and can become a passion, like the work of the artist and man of letters.

But there are some who cannot invent, and to these routine work might be made a delight by inspiring them with a real pleasure in beautiful execution. The musician who merely reproduces a composition has a delight in the reproduction, as the composer in the composition.

And in any case, if the work be not unhealthy, or held to be degrading, or very disagreeable, or requiring over-much strength, or for too long hours, it has a strengthening, healthy effect on mind and body. All work according to ability is pleasant, though there is an immediate disinclination to it on the part of many people, especially of those who are undisciplined.

What we want, then, is to conform work as much as possible to this ideal; as much as possible to allow people to choose work according to their ability; and we should do this by opening out opportunities for education, and fitting them for the different kinds of work.

In one sense again, we want all to work. That is, we do not wish that in any one the natural ability should lie latent; but at the same time the development of the true natural ability may be best attained by *not* requiring that every one after a certain age should produce that which can be measured and weighed as work, by clumsy trade measurements. We must leave some space clear for the development of genius, and for the play of efforts which cannot come under the world's estimation of work. As an example of this latter kind, I would take the work of married women, the development of whose ability in their own homes is not a thing that can be measured by hours, or worked out under the eye of a Govern-

ment Inspector. Here is the other half of the question—

“Not on the vulgar mass called work let sentence pass;  
Things done that took the eye, and had the price  
O'er which from level stand  
The low world laid its hand,  
Found ready to its mind, and valued in a trice.”

*Reward.*—Our ideal is here that every one should have enough, first for the necessities and decencies of life; that they should have enough for health, and for the comfort which is needed when the physical nature is not at its prime; that, further, they should have enough for good and healthy amusement, and that the higher faculties which care for beauty in sight and sound, for Art, and for Nature, and for Knowledge, should have opportunity for the development of these. Not by means necessarily of *personal possessions*, but by public possession of pictures, and of libraries, and performance of music; and that in our towns there should be free spaces, and fresh air; and that the beautiful parts of our country should not all be destroyed for mere enrichment. Further, in the ideal, it is required that these tastes should not only have *opportunity for development*, but should be instilled and cultivated.

*Leisure.*—And by this the last thing I mean is idleness; leisure implies work, as rest implies motion. We should not say anything “rested” which never moved; neither should we say any one was “leisured” who never worked. And many of these things we have been speaking of cannot be realized without leisure; neither health nor education, nor culture, nor life. For human life is

many-sided, and a man who is always bent on one pursuit, even if he cares for it, gets his nature warped and out of proportion; and the faculties that are less used die; and there is no time for the healthy enjoyment of human relations, or for the development of his inner life, without which human life is no better than that of an animal. Leisure is necessary for the full life of every individual of the community, and the organization of the community as a whole corresponds to that of each member. So, for the development of the higher interests of the community, it is well that there should be a class called *par excellence* the "leisured class," who have none of the pressure of providing necessities of life, and can give themselves up to the study of those higher interests which they might help all to desire, and with opportunity and means to cultivate these. Such are all those artists, musicians, poets, literary men, scholars, scientific men, ministers of religion—all who study and produce, even if they do not actually (as some of them do) have so much teaching, or *measurable work*, that we can class them definitely among workers.

These are some points, then, of the Ideal. Does it seem ironical to state them when we are so very far off from realization? But how else could we hope to realize anything of worth if we did not first try to conceive what we were hoping for? The North Pole has never yet been reached; but should we be more likely of success if no one put before himself an object to be aimed at, and all went sailing about haphazard?

We have seen that some of our organizations *tend* this way; and what are the principles by which we

must live if these and similar efforts are to have any degree of success? We can only hope for success by keeping well in view, both the ideal which we aim at, and the principles that make it possible.

In the description of the New Jerusalem you know that there are twelve foundations. In this imagination of our ideal city let us remember this—"that we look for a city that hath foundations."

What are the foundations of Plato's republic? The virtue of the workers is Temperance, the virtue of the soldiers is Fortitude, the virtue of the kings is Wisdom, the bond of the whole is Justice.

Now we are not here constructing our city perfectly, but attending as far as may be to one side alone—the furnishing of the *resources* for its life. But we see that the foundations even of this side are qualities that reach far beyond the economic limit. Indeed, there is hardly a quality of sound social life that would not be involved, for we must remember that our aim is not a *final aim*—its object is lost if it is regarded as an *ultimate* object—the ideal which we are constructing is an *Ideal Means*. There is therefore no good quality of social life which is not directly or indirectly connected with economic life.

But if we must single out those on which the sound economic basis most evidently rests, we have found, of virtues, that in respect of *work* we have need of energy, independence, honesty; in respect of *accumulation and aid to work*, thrift, providence, control; in respect of *direction*, which is the function of wisdom and her lovers, discipline (this is the beginning of wisdom), justice, and creativeness, or invention.

And we have great economic need of that which,

not itself a virtue, is the sweet outcome of virtues—Peace. Even economic life is impossible without the security of peace.

And what is our bond of the whole? What is it that makes the great defect at present, but *want of sympathy*? What is it that has brought so many attempted remedies to ruin, but distrust and suspicion? What is it we want then, as the very bond of peace and of all virtues, but Charity? Thus, when we come to the building of our ideal city, we find as always, "that except the Lord build the house, their labour is but lost who build it"—and of the city which hath foundations, the Builder and Maker is God.

THE END.

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